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JPRS-CAR-88-042

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1 August 1988

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GENERAL

U.S.-Soviet Dialogue Termed 'Better Than Confrontation'

40050334a Shanghai SHIJIE JINGJI DAOBAO in Chinese 6 Jun 88 p 3

[Article by Li Lun [2621 0243]: "Commentary Takes A Positive View Of The Moscow Summit"]

[Text] As expected, the U.S.-Soviet summit in Moscow did not produce any major breakthroughs. Nevertheless, world opinion is generally positive because dialogue is better than confrontation.

What most interested the thousands of reporters gathered in Moscow during the Reagan-Gorbachev summit was not so much what the two leaders agreed on as what they did not agree on. Yet we should not underestimate the significance of the latest U.S.-Soviet summit. On the issue of reducing strategic nuclear weapons by half, in particular, we should not expect problems built up over decades to be resolved in a few hours of talks. This issue is more than ten times as complicated as the intermediate-range nuclear forces [INF] treaty. And it took the two powers two summits to hammer out the INF treaty before it was ready to be signed at their third meeting. It takes time to rebuild mutual trust after prolonged cold war and confrontation.

President Reagan was the first American president to visit Moscow in 14 years since President Ford last visited in 1974. It is much better to have leaders calling on one another than not at all. In the several years between 1979 and November 1985, the U.S. and Soviet leaders never met. Yet in just the past 2 years and a half, the two sides met four times. This alone testifies to an improving atmosphere. During his first term, Reagan talked about "a position of strength" and pursued a policy of "all-out confrontation." That was replaced by the pursuit of a dialogue and nuclear arms reduction in his second term. As for the Soviet Union, after Gorbachev came into power, "glasnost, perestroika, and diplomatic new thinking" have also wrought a positive change in U.S.-Soviet relations. The two leading players in the latest summit both spoke highly of the meeting. Reagan said that "U.S.-Soviet relations have moved dramatically into an age of realism," while Gorbachev noted that "the wind of change has replaced the ill wind of the cold war."

The present political dialogue between the superpowers is unprecedented in scale, regularity, and frankness, and can be considered a new beginning. That the two superpowers now have a regular and effective political dialogue is an important political achievement in itself, quite apart from the INF treaty or any other agreement.

'New Era' Seen Dawning Between East, West

40050334b Shanghai SHIJIE JINGJI DAOBAO in Chinese 13 Jun 88 p 15

[Article by Hu Houfa [5170 0683 3127]: "There Is More To Gorbachev's New Diplomacy Than Expediency"]

[Text] If we rank American presidents by the intensity of their anti-communism, then Reagan is very likely to come out on top. Yet it is precisely Ronald Reagan who met with the general secretary of the world's oldest socialist communist party four times in less than 3 years, a record in the annals of post-war U.S.-Soviet relations. At a time when East-West relations are changing radically, if we ascribe Reagan's motive to a mere desire to go down in history as a "peace president" and that of Gorbachev to a desire to resort to diplomatic achievement to bolster his domestic position, we seem to have missed the essence of the situation because such a simplistic explanation disguises one fact: international politics is undergoing a qualitative change.

To explore the causes and effects of this change, this writer recently contacted many scholars and politicians from different political blocs in Vienna, the meeting place between East and West, and listened to their views and enlightening opinions. Most of them believe that to analyze the causes of this change, we must begin by examining Gorbachev's new political thinking.

At the root of Gorbachev's call for all-around restructuring of the Soviet system is his realization that socialism as practiced today will not only fail to triumph, but will fall behind capitalism more and more. Without thorough reform, socialism as an institution will lose its raison d'être. While the Soviet Union never went through the kind of turmoil China went through during the Cultural Revolution, Gorbachev has the courage to reflect and admit that continuing Soviet-style socialism in its present form will not only doom the cause of communism but will also lead to an even bigger crisis for the nation and the people. In short, the wheels of socialism have not been moving in the direction of human ideals. On the contrary, one Soviet scholar said emotionally to a group of West German colleagues who had come to see him off at the airport at the end of his study trip to their country, "Finally I saw what real socialism is like." This is the honest and thought-provoking confession of a materialist.

The West Is Not An "Evil Empire"

One only has to go through the series of speeches Gorbachev has made since assuming power, particularly his book "Reform And New Thinking," to realize that there has been a substantive change in the perception of the West among people in the decision-making echelon in the Soviet Union and among Soviet intellectuals. After evaluating their strength objectively and studying the real conditions in the West at length, the Soviet people began to realize that the West is not an "evil

empire," that something can be learned from capitalist management, that capitalist science and technology should be introduced, and that even the capitalist way of running a country may be emulated. If the West is not an evil empire, then there is no need to devote much material and financial resources to its downfall. Besides, the Soviet Union has paid an incalculable price for its "steadfast faith" in triumphing over capitalism, to the grave detriment of its national economy. Meanwhile, far from being undermined, capitalist economies have grown faster than their socialist counterparts after the war and capitalist science and technology has advanced more rapidly.

It is exactly this kind of profound soul-searching that has led the Soviet people to conclude that peaceful coexistence with the West is the only way out. As for the question of who is triumphing over whom, more and more the answer will depend on the superiority of one's institutions and its economic, scientific, and technical competitiveness derived therefrom. A genuinely powerful social system cannot be easily destroyed by guns and bombs. It is such changes in thinking that are the real driving force behind the urgent Soviet push for improved relations with the U.S.

"Diplomatic New Thinking" Not A Mere "Peace Offensive"

Now let us take a look at the West, whose leader is the U.S. The West was skeptical when Gorbachev first extended an olive branch. However, after carefully studying the profound changes in the Soviet Union in the past year and analyzing its future preliminarily, the U.S. and its allies also seemed to realize that any rash denunciation of Gorbachev's new thinking of diplomacy as a peace offensive might deprive the West of a historic opportunity to bring about a new turning-point in East-West relations. Gorbachev's bold and radical reforms at home and his much-trumpeted peace initiative abroad gave Western leaders the impression that the change in Soviet behavior was prompted by an understanding of its own shortcomings and past communist errors. It is this willingness, however slight, of the Soviet leadership to "admit that the Soviet system is inferior" that made the West see a ray of hope. To the West, this is the real political basis for ending East-West military confrontation.

Certainly this does not mean that the West no longer regards the Soviet Union as its adversary. Earlier in the year, two reports—"Selective Deterrence" and "National Security Strategy"—were issued by the Comprehensive Strategic Commission in America and the U.S. president, respectively, which attracted world-wide attention. Both reports still characterized the Soviet Union as a major threat to America. But the reports made one point which was highly noteworthy, namely, that reform in the Soviet Union may lead to changes in foreign policy and that the U.S. should welcome real changes in that country. It can thus be seen that the U.S.

has a positive opinion of the new thinking of the Soviet communists and does not intend to undermine Gorbachev's reform. To wear the Soviet Union down with an arms race not only has cost the U.S. enormous resources, but it may not necessarily increase American security. As far as the U.S. is concerned, shifting from the strategy of "assured destruction" to competition in the economic, scientific, technical, and institutional spheres may prove an even more effective strategy.

We can thus see that the gradual improvement in U.S.-Soviet relations may presage the dawning of a new era. The arms race between the East and West, which suggests mutual destruction, will be replaced by economic, scientific, technical, cultural, and social competition between different systems and countries. An important characteristic of the new age is that every nation will be drawn into this competition, willingly or otherwise. Whether a nation will win depends not on the size of its territory or population. If a large country fails to understand the situation clearly and forge ahead, but wavers and becomes bogged down in ideological debates, it will not be able to escape the fate of eventually being pushed around by a smaller nation.

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NORTHEAST ASIA

Japan's Peace-Making Role in Cambodia
40050331 Beijing SHIJIE ZHISHI [WORLD
AFFAIRS] in Chinese No 13, 1 Jul 88 p 8

[Article by Liu Wenyu [0491 2429 3768]: "Japan Mediates Between Sihanouk And Vietnam For Political And Economic Ends"]

[Text] Following the conclusion of the intermediate-range nuclear forces [INF] treaty and particularly the beginning of Soviet military withdrawal from Afghanistan, Vietnam's invasion of Cambodia began to assume unprecedented prominence in the world and all elements seeking to resolve the Cambodian issue have become active. To demonstrate its effectiveness in international affairs, Japan has been working hard recently to find a political solution to the problem. After Vietnam announced on 20 May that it would withdraw 50,000 troops from Cambodia, Japan proposed to make the Cambodian issue the "core of its peace diplomacy" and the "pillar of Asian diplomacy" in response to pressure from international opinion and their own mounting domestic economic troubles.

As early as 6 January, Japan's Foreign Minister Sosuke Uno invited Sihanouk, chairman of the Coalition Government of Democratic Kampuchea [CGDK], to visit Japan at the earliest opportunity so that Japan could directly hear the views of Democratic Kampuchea and mediate between it and Vietnam through a "direct dialogue." On 20 January, the Foreign Ministry again urged Sihanouk to visit Japan. Apart from voicing

unequivocal support for Sihanouk's peace effort, Japan invited Vietnam's foreign minister, Nguyen Co Thach, who is also vice chairman of the State Council, to visit Japan. On 16 February, Foreign Minister Uno sent a handwritten letter to Sihanouk in Beijing, where the latter was then visiting. He praised Sihanouk for his peace efforts and expressed full support for him in the future. Reportedly Sihanouk has decided to pay an official visit to Japan from 8 to 10 August. The Japanese foreign minister has disclosed that an effort will be made to arrange a dialogue between Sihanouk and relevant Vietnamese figures during the former's visit to Japan.

Japan believes it is well qualified to serve as an intermediary in the "direct dialogue" between Sihanouk and Vietnam. Not only does it maintain friendly relations with Sihanouk, but it also has diplomatic ties with Vietnam. Taking a pragmatic viewpoint, Japan believes that "only Sihanouk can unite Cambodia." Japan also points out that "an improvement in Sihanouk's position would force the other two factions in the coalition government to join in the dialogue for fear of being left out in the cold." As for Vietnam, Japan argues that as Heng Samrin's backer, Vietnam's participation is critical to any progress in the talks. In the past, Vietnam routinely refused to take part in negotiations aimed at finding a political solution to the Cambodian problem, trying its best to pose as an "outsider." Its agreement now to take part in talks is tantamount to admitting that it is an "interested party."

Japan is hopeful that it would succeed in urging Vietnam to participate in a "direct dialogue." Before Japan's ambassador to Vietnam, Gu Ye, left his post for home last year, Vietnam's top leader asked him to convey his well wishes to Prime Minister Takeshita. To Japan, this "unusual oral message" indicated that Vietnam has high hopes in Japan. What made Tokyo even more hopeful is that the Soviet Union also has demonstrated an "extraordinary" interest in the prospect of Vietnamese participation in the negotiations. During a visit to Moscow in mid-May this year, Prime Minister Prem Tinsulanonde of Thailand, which takes a tougher position toward Vietnam than any other country in the Association of Southeast Asian Nations [ASEAN], was told by Chairman Ryzhkov of the Soviet Council of Ministers,

"If Thailand has any ideas, we can pass them onto Hanoi." Both this subtle change in Soviet attitude and its decision to begin military withdrawal from Afghanistan set the stage for Japan's effort to bring about a change of heart in Hanoi.

Japan has been actively pushing for a political solution for Cambodia at appropriate international gatherings as well. Prime Minister Takeshita put it on the agenda of the summit of seven Western powers in June. Foreign Minister Uno will also reiterate support for Sihanouk at a meeting to be held in Bangkok in July that will bring together the ASEAN foreign ministers and their counterparts from developed nations.

Japan's diligent campaigning on behalf of the Cambodian issue is prompted by long-term political and economic considerations. As the Foreign Ministry puts it, Japan seeks to bring together Sihanouk and Vietnam in a "direct dialogue" "so that Japan can claim its place at the international conference that will be held in the final phase of the peace effort and launch an independent foreign policy." In Japan's public opinion, "whether or not Japan's Cambodian diplomatic initiative succeeds will have a profound effect on Japan's Asian diplomacy."

Japan's Cambodian initiative is also intended to pave the way for expanded Japanese economic activities in Indochina. Zhong Dao Min Ci Lang, Japan's ambassador to China, told a symposium of Japanese ambassadors to Asia in late January, "When peace emerges in the Indochinese Peninsula, Japan will be the greatest force for economic revitalization in the region. The situation demands that Japan make more contributions as soon as possible. But the trouble is that Vietnam and ASEAN have not established a relationship of coexistence, which, therefore, is the first political issue to be tackled."

ASEAN nations welcome Japan's contribution to solving the Cambodian problem. But they are leery of any excessive growth in Japanese political influence in Asia and keep a wary eye on Japan's intention to invest heavily in Vietnam in the future. Only time will tell how Japan's peace efforts in Cambodia will play out.

Sun Weiben's Party Congress Report

SK2906063088 Harbin HEILONGJIANG RIBAO in Chinese 7 Jun 88 pp 1-3

[Report by Sun Weiben, secretary of the Heilongjiang Provincial Party Committee, at the Sixth Heilongjiang CPC Party Congress on 31 May 1988, entitled: "Emanipate Thinking, Deepen Reform and Strive To Invigorate Heilongjiang"]

[Excerpts] Comrades:

Entrusted by the fifth Heilongjiang Provincial Party Committee, I here submit a report to this congress.

I. Review of the Past 5 Years' Work

The past 5 years, since convocation of the fifth provincial party congress, have been a period of constant, healthy, and comprehensive development in all undertakings under the guidance of the line defined by the 3d Plenary Session of the 11th party Central Committee. Party organizations at all levels throughout the province and Communist Party members united as one and led the broad masses of people to firmly grasp the central task of economic construction, to uphold the four cardinal principles, to persist in reform and opening up, and to strive to strengthen the building of the socialist spiritual civilization and the party's self-cultivation. We have made remarkable achievements in all fields of work, scored good results in all undertakings, and witnessed gratifying changes throughout the entire province.

A. The national economy continued to constantly increase and the people's livelihood continues to improve.

Over the past 5 years, the province's total social output value, total agricultural output value, and national income showed an increase of about 50 percent over the same period 5 years ago, the best period of economic development in our province's history. We broke the long-standing stagnant situation in grain production and achieved outstanding progress. Since 1983, total grain output successively attained levels of 30 billion jin and 35 billion jin, during which 4 years exceeded the figure of 30 billion jin, thus realizing the fighting objective we had struggled to attain for many years. The output of oil-bearing crops, beets, flue-cured tobacco, flax, berries, and other cash crops increased by nearly 100 percent. A number of agricultural and sideline production processing industries vigorously developed. The total number of dairy cattle quadrupled over the past 5 years and the output of dairy products ranked first in the country. In our vast countryside, we witnessed a lively situation in which agriculture, forestry, animal husbandry, sideline production, and fishery comprehensively developed and industry, commerce, transport, building and service industries grew. Such a situation has rarely been seen in our history. The rural economy began to change its

one-crop production pattern, ended the closed or semi-closed type of economic state, and began to proceed toward orientation of specialization, commercialization, and modernization. Industrial development accelerated gradually. In 1987, total output value reached 43 billion yuan. Thus we succeeded in simultaneously increasing output value, sales income, profits, and taxes. Over the last 5 years, light industry showed an annual average increase of more than 10 percent and heavy industry showed an annual average increase of about 5 percent. Great changes were made in the internal structure of industry, energy, raw materials, communications, post and telecommunications, and other basic industries and infrastructure facilities were further strengthened and new progress was made in the petroleum and the petrochemical industries. The output of raw coal exceeded 60 million tons, jumping from fifth position to third in the country. Over the last 5 years, the growth rate of power output was faster than the industrial growth rate as a whole. Gratifying achievements were made in the construction of key projects and enterprise technological transformation, and industrial momentum was thus strengthened. Total retail sales in society reached 23.6 billion yuan, thus giving rise to a new situation in which purchases and sales were brisk. Based on production development, the people's clothing, food, living, daily necessities, and means of transport improved. Urban and rural savings deposits doubled and the annual average cash income of the urban workers and the net income of rural people increased every year. Renovation of shabby houses in urban areas and the construction of infrastructure facilities accelerated. To make impoverished areas shake off poverty within a short period of time, we concentrated efforts on giving financial subsidies to 32 counties. Through 2 years of efforts, 14 poor counties basically shook off poverty.

B. Urban and rural reforms have been deepened continuously, and the situation of opening to the outside world and invigorating the economy has been taking shape.

On the basis of continuously consolidating and perfecting the system of contracted responsibilities on the rural household basis with remuneration linked to output, we developed various kinds of cooperative economies, and universally established cooperative fund organizations. We reformed the system of purchasing agricultural and sideline products by the state in a unified and fixed manner, formulated several policies for encouraging peasants to enter the circulation sphere, and gradually raised the proportion of market regulation. We readjusted the rural production structure, thus accelerating the development of town and township enterprises and promoted the shift of rural laborers to non-agricultural production. We positively developed diverse economic sectors and managerial forms, and thus began to bring the rural economy into the orbit of the commodity economy. We actively explored new ways of reforming state farms and forest zones, and remarkable results were achieved in this regard. We formulated a series of policies and regulations on delegating power to central

cities, counties (districts), and townships; on transferring enterprises to lower levels; and on reducing taxes on enterprises to allow them to keep more profits at their disposal, thus strengthening the functions of government at all levels in making overall arrangements, and improving external conditions for production and management in enterprises. Centering on the task of invigorating enterprises, we actively popularized various forms of the contracted management responsibility system, and improved the managerial mechanism of enterprises. At the same time, we relaxed control over the management of small enterprises and tried out the leasing and shareholding systems among them. Within enterprises, we made smaller units on the basis of cost accounting, carried out the method of managing funds by different accounts, boldly introduced competition and risk-taking mechanisms, and constantly deepened reforms in all fields, thus strengthening the vitality of enterprises. The rapid growth of the collectively run rural and urban enterprises, the individually run industrial and commercial trades, and the private enterprises began to bring about a new situation of simultaneous development of diverse economic sectors and managerial forms, with public ownership predominating. We implemented the diverse forms and policies for distribution, with the system of distribution according to work predominating, thus further mobilizing the initiative of the large number of laborers. Multi-layered and multi-directional lateral economic associations developed rapidly among enterprises. Over the past 5 years, the newly-added industrial output value as well as profits and taxes fulfilled by enterprises as a result of conducting lateral economic associations accounted for 28.6 percent and 24.8 percent respectively of the total newly-added ones of the province. New progress was achieved in foreign trade, economic, and technological cooperations with foreign countries, and utilization of foreign capital; and, in particular, an upward trend emerged in trade with the Soviet Union and Eastern European countries. The market of means of production, and the markets of fund, technology, labor service, and real estate were expanded; and a new step was made in reforms of planning, investment, credit, finance and tax, pricing, and labor wages. As a result, the macroeconomic management began to shift from simply depending on administrative means to mainly applying economic and legal means. While constantly deepening the economic structural reform, we listed the political structural reform as an item of our daily agenda, gradually carried out the reform of separating party work from government work among enterprises. Meanwhile, the organizational reform of provincial organs, with the change of functions as the focus, came into being.

C. The building of socialist spiritual civilization was strengthened, and new headway was made in educational, scientific and technological, cultural, and social undertakings.

By conscientiously upholding the principle of gearing the building of spiritual civilization to economic construction, reform, and opening-up, we formulated the province's focal points for implementing the "CPC Central Committee's Resolution on the Guiding Principle for Building Socialist Spiritual Civilization." In line with their respective conditions, all localities in the province conducted the education on ideals, morality, and discipline at various levels and in a planned and universal manner. We also conducted education on the basic line, principles, and policies of the party; energetically commended and gave publicity to the figures advanced in building the two civilizations; and resolutely resisted the corrosive ideas of feudalism and capitalism.

The mass discussion on the commodity economy and the standards for productive forces launched in the urban and rural areas; particularly, the study and discussion on the standards for productive forces launched since the beginning of this year, greatly promoted changes in the people's thinking. Through positively exploring new ways for ideological and political work in the new age, we accumulated some new experiences and a set of good examples emerged. Notable achievements were made in launching the activities of building civilized towns, units, and villages, the "five-good-household" campaign, and the army-civilian joint civility campaign. An environment of social order and the mass media's respecting of knowledge, science, and skilled personnel have initially taken shape thanks to the efforts made by the party committees at various levels, to conscientiously implement the policy toward intellectuals. The educational structure was preliminarily readjusted with the impetus given by educational reform. Basic education was strengthened and conditions for running primary and middle schools were improved to a certain extent. The enrollment in institutions of higher learning increased by a big margin. Specialized course in the financial and economic, political and legal, light industrial, and electronic fields of study, that had lagged behind in institutions of higher learning in our province, were further strengthened. Comparatively rapid development was made in vocational and technical education and adult education. Vocational and technical education and adult education have become major channels for cultivating middle-class science professionals and technicians and building the ranks of skilled workers. Breakthrough was made in the old scientific and technological structure. Increasingly more scientific research units, science professionals, and technicians have entered the major battlefield of economic construction. We strengthened the study and development of applied technologies, particularly, the popularization of applied agrotechnologies. Gratifying achievements were made in this regard. We unswervingly implemented the orientation of serving the people and socialism, the principle of letting a hundred flowers blossom and a hundred schools of thought contend; accurately grasped the policies; formulated "several regulations on conducting the theoretical study of social science" and "12 measures for enlivening the province's literary and artistic creation; and made efforts

to create a harmonious environment and atmosphere characterized by democracy and unity for theoretical study workers and scientific researchers. The work of making social scientific research positively serve the construction of the two civilizations, and the construction of Marxist theory were strengthened during practice. A flourishing phenomena emerged in the cultural and artistic field. Sparetime mass cultural and entertainment activities were enlivened. A number of good dramas and works emerged. New progress was made in undertakings in the press, publication, radio, and television, public health, and sports fields. Great achievements were made in family planning work.

D. The socialist democracy and legal system was enhanced, and the political situation characterized by stability and unity was ceaselessly consolidated and developed.

Through general education on democracy and the legal system, the people have enhanced the awareness of democracy, the idea of the legal system, and the consciousness of observing discipline and law; and have brought into play their role in participating in and discussing political affairs. Supervision by the media and the masses, the supervision over the enforcement of law, and administrative supervision were ceaselessly developed and perfected. The people's congress system was continuously improved. The organs of state power at various levels have enhanced and brought into play their roles in conducting the local legislative work and supervising the work of "the governments, courts, and procuratorial organs." The system of multi-party cooperation under the leadership of the CPC and the patriotic united front were ceaselessly consolidated and developed. The system of political consultation between people of various circles and the democratic supervision system were perfected in a step-by-step manner. Through extensive development of the democratic and consultative dialogue system to let the people know the great matters decided by the party and the government, the political purity of the leading organs was upgraded. The province strengthened the overall improvement of social order and scored notable achievements in dealing blows to serious criminal offenders and economic criminals. This has effectively ensured and promoted the smooth progress of reform and opening to the outside world.

E. We continued to strengthen party building and intensify the party's fighting strength.

In line with the decision of the party Central Committee on party rectification and a series of plans of the Central Party Rectification Guidance Commission, we conducted more than 3 years of party rectification work and achieved remarkable progress in unifying thinking, improving workstyle, strengthening discipline, and purifying party organizations. The party's political, ideological and organizational lines began to win popular support. We comprehensively understood and implemented the party's "four requirements" for the party cadre

ranks, selected a great number of outstanding young and middle-aged cadres to assume leading posts, and smoothly completed the task of carrying out cooperation between old and new cadres and the succession of the new to the old among the leading bodies at all levels. Great changes were made in the knowledge, cultural, and age structures of the the leading bodies, and these changes are gradually turning into superiority in work. In line with the province's reality, we improved party style, opposed bureaucracy, and consolidated the workstyle of organizations, gradually established the responsibility system of having the party manage party affairs and grasp party style and strictly investigated and handled a number of discipline violation cases in the public. To cope with the new situation of reform and opening up, we strengthened education in party spirit, party style, and party discipline among the broad masses of party members, trained cadres and party members, and strengthened the building of grassroots party organizations. A great number of outstanding persons who emerged in reform and construction were recruited into the party ranks. The broad masses of communist party members fighting on all fronts marched to the forefront of reform, led the masses to become rich through strenuous efforts, displayed their valuable fact-seeking and dedicated spirit and better played a vanguard and exemplary role.

Comrades: We should attribute our major achievements in reform and construction to the correct leadership of the party Central Committee and the united struggle and strenuous efforts of the provincial people. Over the past 5 years, the broad masses of workers, peasants, intellectuals, and the people of various social status, displayed their sincere sentiment of cherishing the motherland and building their hometowns, devoted their wisdom and strength, and displayed their great historical initiative and creative spirit. The PLA commanders and fighters, the armed police forces, and the broad masses of militiamen exerted strenuous efforts and made great contributions to the province's economic construction, socialist spiritual civilization building, and relief work.

Many veteran comrades who once fought and worked in Heilongjiang and the domestic and foreign people who cared for Heilongjiang's development provided us enthusiastic support and valuable help. On behalf of this provincial party committee, let me extend heartfelt thanks to the broad masses of people, all communist party members and those people who once cared for, criticized, supported, and helped us in our work.

While clarifying the current excellent situation and affirming achievements in a fact-seeking manner, we should clearly recognize our disparities and deficiencies. Grouping them together, there were mainly three major disparities and five problems that cried for solutions. The three major disparities are: First, the economic growth rate was slow. During the Sixth 5-Year Plan period, our province's economic growth rate was one-third lower than the national average. Second, economic

management was backward and not many changes were made in improving the low economic results. The material consumption was great; the production cost was high; the rate of profits and taxes for every 100 yuan of funds ranked 17th in the country and the profits and taxes produced by every 100 yuan worth of fixed assets ranked 25th in the country; and scientific progress did not play a clear role in economic growth. Third, no prominent progress was made in reform of the economic structure. We failed to fully and flexibly use the central policies; enterprises failed to use their decision-making power and adopt flexible policies in operations. The entire economy was not fully invigorated and our ability to cope with market changes was poor.

Five problems which demand urgent solution are as follows: The real living standards of some staff and workers become lowered due to excessively rapid price hikes. A small number of party-member cadres are engaged in practices that are an abuse of their power for selfish ends, practicing bureaucracy, appointing people by favoritism, and indulging in luxury and extravagance. Science, technology, and education fail to prominently play their key strategic role during economic and social development. The rural economic situation is unduly or optimistically estimated. People begin to change their idea concerning stability without agriculture and do not provide sufficient material and technological support for agricultural production. People in some places do not feel safe because of the severe situation in public security.

We must pay great attention to the difficulties and problems cropping up in the development of the province's economy and society. The provincial party committee maintains that there are many reasons why our province lags behind and has more problems concerning self-development than advanced provinces and regions. The unitary planned economic structure imposes strict conditions on the province's ability to participate in fair market competition. The unreasonable production structure, enterprise organizational structure, and regional economic structure, which took shape in history, have intensified the friction and pain experienced while replacing the old system with the new. We have faced many special difficulties during development due to historical, cultural, natural, and geographic conditions. Our purpose in analyzing these objective factors in line with the principle of seeking truth from facts is to change these unfavorable factors into favorable ones. However, by no means should we use objective factors to conceal and replace our subjective problems and the problems relating to our work. Particularly, in the face of new challenges and pressures, the provincial party committee should investigate and find out subjective problems. Only when we draw on both positive and negative experiences and lessons can we be enthusiastic about advancing, and certainly live up to the expectations of all people of the province to accomplish something in the rejuvenation of Heilongjiang.

While implementing the guidelines of the 13th Party Congress and conducting mass discussion on the standards for productive forces, the provincial party committee comprehensively reviewed the work done over the past 5 years and identified the problems concerning the ideology and workstyle of the leadership. The provincial party committee maintained that we should draw such experiences and lessons as follows.

First, we should ceaselessly emancipate our minds in line with the standards for productive forces.

The construction of socialism with Chinese characteristics is a practical and creative course, and an essential course of advance in the practice of ceaselessly emancipating the mind. Particularly, in the great social change of reform and opening to the outside world, emancipating the mind is a key prerequisite for pushing forward the work in all fields. The achievements in reform and construction made over the past 5 years were a result of conscientiously persisted in the party's ideological line of emancipating the mind, seeking truth from facts, and proceeding from reality. On the contrary, the main reason the province lagged behind and had problems in its work was that the provincial party committee failed to emancipate its mind. This is an experience and lesson of fundamental significance. Although we were aware of this problem and had repeatedly stressed the importance of emancipating the mind, in the face of new situations and problems, we often remained undecided, and failed to emancipate our minds or make strides due to our failure to firmly foster the idea about the standards for productive forces. When the individual economy and the private economy began to arise, we failed to support it in a timely and bold way and encourage their development due to the influence of "leftist" ideology and our misgivings. Although we carried out on a trial basis the contracted management system among large and medium-sized enterprises early in 1983 and made better results in this regard, we failed to persistently carry out or popularize it due to our misgiving about the lack of coordination.

In macroeconomic management, we took charge of many matters which we should not and could not handle. Practice shows that only by firmly defining the standards for productive forces can we break with and discard those erroneous theories and outmoded conventions and systems added to socialism; be brave in encouraging those explorations and practices which are conducive to the development of productive forces; implement the line, principles and policies of the party in a creative manner; and can really change the process of emancipating minds to a process of promoting the development of productive forces.

Second, we should persistently put reform at the center of all our undertakings, and closely integrate reform with development.

As the old structure is superceded by the new, and under the new, developing commodity economy, various contradictions are involved, and a multitude of things remain. Therefore, only by putting reform at the center of all our undertakings can we operate from a strategically advantageous position, and grasp the general key to solving immediate contradictions and problems of various kinds. Over the past 5 years, it was the constant deepening of reform and opening up that engendered new vitality to the province's political and economic lives. Yet, the sluggishness and backwardness in the province's economic and social development primarily resulted from the lack of breakthroughs in economic structural reform. In the past 5 years, we failed to effectively solve those crucial problems that emerged in the practice of reform; and failed to exert much effort in carrying out reform experiments, fully emancipate and broaden our thinking in carrying out reform experiments, or draw a clear distinction between experiments and non-experiments. In addition, we failed to closely integrate reform with economic development, and fully display the role of reform in promoting economic development. Therefore, the basic way out to invigorate Heilongjiang lies in reform. Because reform is closely related to development, we must study the issue of economic construction in carrying out reform, and we must study the issue of deepening reform in carrying out construction. Only by regarding the difficult points of economic development as the focal points of reform can we gear reform to economic development and make the two promote each other. Principal leaders must understand and study the reform of the whole as well as major plans and measures for reform; and should personally conduct investigations and organize the implementation of major plans and measures. For contentious questions, principal leaders should be brave in having the final say and making decisions; and should be brave in running risks. Principal leaders should also advance despite difficulties, and carry out reforms in a firm and indomitable manner in order to fulfill the tasks of reform and economic development.

Third, we should handle affairs in strict accordance with the law of value, and give guidance to the development of a commodity economy in a scientific manner.

A commodity economy is an indispensable stage of social and economic development; and the basic demand of a commodity economy lies in handling affairs according to the law of value. Over the past 5 years, along with the development of a socialist commodity economy, we have begun to extricate ourselves from the yoke of the idea of product economy, and an unprecedented prosperity has emerged in the urban and rural commodity economy. However, because our province has carried out a commodity economy for a relatively long time and has been deeply affected by the overcentralized old structure, our province's concept of a commodity economy has become unclear; our sense of possessing a superiority in natural resources has kept us from having

a sense of urgency about developing a commodity economy; and our deep-rooted habit of relying on state plans has dampened our consciousness in developing a commodity economy and a pioneering spirit in conducting open competition. Often, we have only paid attention to the part of the economy that occupies a relatively large proportion of mandatory planning, but have failed to truly invigorate the part which should be invigorated. In particular, when solving problems concerning grain and hogs, we have become accustomed to using administrative means and been poor in applying market mechanisms and the law of value; and, therefore, we have turned back to the old method of unified and fixed purchases whenever supply falls short of demand. This has dampened the initiative of peasants. Under the new situation of vigorously developing a commodity economy, we have ever more profoundly felt that an extremely urgent task facing us is to study and thoroughly understand the law of value, and strengthen our sense of market information, competition, and efficiency which are necessary in the development of a commodity economy. We should learn to apply the law of value; to properly handle economic relations between the state and localities, between our province and other provinces, and between the province and cities (prefectures) and counties; and avoid making policies, decisions, and offering guidance which deviate from the law of value.

Fourth, we should persist in making the decisionmaking process more democratic and scientific and strive to improve leadership.

Under the new situation of constant development of the commodity economy and large-scale socialized production, more factors affect policymaking. This requires effort to change the experiences and policies related to the natural economy and to change the small production pattern into one of democratic and scientific policymaking. During the past 5 years, we did much to improve policymaking; established and reinforced the policymaking consulting organs; put forward the principle that "no policy decisions will be made without investigation and study, without the consultation and appraisal of experts, and without democratic discussion"; held discussion meetings to study and decide on some major issues; worked on-the-spot; and gave face-to-face guidance. All this helped to improve the level of policymaking and yielded good results. However, because of the influence of outdated ideas and leadership methods, we failed for a time to control the environment and policymaking factors and our policymaking level could not meet the needs of the new situation. When we made some policies, we failed to fully heed grassroots opinions. We failed to fully and scientifically appraise some major construction projects. Our policymaking procedures were not perfect. Sometimes we failed to make timely and resolute decisions on some risky issues and opportunities. Although we had correct ideas and principles in making policy decisions, we lacked the necessary and concrete measures and failed to give timely examination, supervision, and feedback to higher authorities on the

implementation of policies and decisions. Some policies were not implemented when needed. Years of practice in leadership work made us deeply understand the importance of raising the level of policymaking. A good policy decision will act as a great driving force in the whole situation, and a miscalculation in policymaking will result in the loss of opportunity and other untold losses. We should strive to persist in the ideological line of seeking truth from facts and doing all things in line with reality; adhere to the principle of from the masses, to the masses; uphold the basic skills of investigation and study; improve the scientific policymaking system and procedures; clarify policymaking and made decisions known to the public; strengthen democratic supervision over policymaking; and strive to make the policymaking process more democratic and scientific.

Fifth, we should adhere to the purpose of serving the people and exert our utmost to seek benefits for the masses.

Striving to make the people rich on the basis of developing production is the purpose of Communist Party members of the present stage and is the party's point of departure and goal for work in all fields. During the last few years our efforts to improve the people's living conditions and to do good and substantive things for the masses were supported by the broad masses of people. The masses greatly acclaimed our implementation of the principle of "making the grassroots rich before the province"; our efforts to make province-level departments and bureaus assume the responsibility for supporting poor counties; our measures to help the poor shake poverty; the method of assigning party members to help and guide poor households in rural areas; and our efforts to speed up the construction of infrastructure in urban and rural areas, to improve the masses' clothing, food, livelihood, transportation, and to actively develop consumer goods, and strengthen the building of cultural facilities and produce intellectual products. However, we still fail to meet up to the purpose of the party and the demands of the masses. The income of urban workers and peasants was low and there are still many problems in the lives of the urban and rural population. In particular, during the last few years, some major serious accidents occurred, creating great loss of life property. This revealed that our bureaucratic work style is still serious. We feel deeply sorry and are uneasy about this.

Among the ranks of the party members, a small number of party-member cadres abused their power for selfish ends and sought private gain at public expense. Thus, the flesh-and-blood ties between the party and the people were seriously damaged. This is very much related to our failure to run the party strictly. We deeply found that the more the commodity economy develops, the more we should firmly foster the thinking that the people are foremost and the masses are first, have the people in mind, do all things for the people, understand and

examine the weal and woe of the people, and unswervingly seek gains for the people. Only by so doing can we enjoy the sincere support of the people. This is the foundation upon which our undertakings may succeed.

II. Strategic Plans and Measures for Economic and Social Development.

At the 13th Party Congress, the implementation of the strategy for economic development in the coastal areas was regarded as a turning point. A new situation in which the eastern, middle, and western parts of the country vie with each other to develop has emerged. Under the new situation of mutual challenge and opportunity and faced with both difficulties and prospects, we must proceed from the basic conditions of the province to further define the strategic ideology of economic and social development, and mobilize and guide all people of the province to work arduously to develop the province. We must work hard during the next 5 years to lay a good foundation for the province's economic rejuvenation and take-off.

Our province has the conditions for stable economic development. Through socialist construction over the past 40 years, particularly, through the economic system reform and economic structural readjustment made since the 3d plenum of the 11th CPC Central Committee, we have laid a good foundation for stable economic development in the future. Viewing Heilongjiang in light of the national strategic pattern, we know that we have some unfavorable conditions but we also have many advantages. When compared with the coastal areas in the eastern and southern parts of the country, Heilongjiang has natural resources and raw materials. When compared with the western part of the country, Heilongjiang has a strong foundation for industrial development and the advantage of having more technicians and professionals in science. When compared with the inland provinces, Heilongjiang has the advantage of being located in a position to open itself to the Soviet Union and East Europe. Our province is confronted with many peculiar difficulties as a result of the replacement of the old management system, planning system, and pricing system with the new. However, along with the ceaseless furthering of reform, the scale of mandatory planning is certainly narrowed with each passing year, the pricing system is going to be balanced, barriers between various departments and regions are being changed, the industrial structure is under readjustment, and the sphere and flexibility of our decision-making power to open to the outside world and self-development are not narrowed but continuously expanded. Therefore, regarding our understanding about the province's basic situation, we must avoid not only idealistic tendencies to exceed objective conditions and be impatient for success due to blind optimism, but also pessimistic tendencies to accomplish nothing and blame everyone and everything but oneself due to underestimation of one's ability. So, we must conscientiously proceed from the province's actual conditions and pioneer solid new ways for economic development.

In line with the realities of the province, we have successively set forth ideologies and principles of economic development over the past few years. In 1980, we set forth the goal of building "five large bases" and the "12-character production principle." During the party rectification period, we set forth the strategic ideology of "conducting systemic reform and technological transformation and opening the province domestically and internationally to make the country wealthy and the people rich." In 1986, the provincial party committee work conference set forth some economic development strategic ideologies, including "10 great opportunities," "5 great countermeasures," and "first making the grassroots rich in order to make the province rich." These ideologies and principles were put forward because we had gained a deeper understanding about Heilongjiang's situation. These ideologies and principles have played key roles in promoting the province's economic development in various ages.

Under the new situation of accelerating and deepening reform and opening up, and with a view to meeting the demand of setting up a new order for developing the commodity economy, it is necessary that we synthesize and strengthen past strategies and principles. In the next 5 years, the strategies for the province's economic and social development are: relying on science, technology, and education; extensively exploiting natural resources; readjusting the production structure; persistently cooperating with the South and opening to the North; paying attention to economic efficiency; and ensuring a coordinated and steady growth in social and economic development. This strategy makes the best possible use of our favorable conditions and avoids our weakness. In line with this strategy, we should strive to fulfill the following 10 major goals in the next 5 years: 1) The province's total social product should increase at an average annual rate of 6.9 percent; the total industrial and agricultural output value, 6.4 percent; and the national income, 6.5 percent. Meanwhile, remarkable growth should be effected in economic strength. 2) The province's total annual product of the rural society should come to 32 billion yuan; gross grain output should reach 40 billion jin; output value in rural industries, building undertakings, commerce, and transportation should reach 50 percent or more of the total product of the rural society; and one-fourth of the rural laborers should be shifted from farming to non-agricultural production. 3) The total annual provincial industrial and agricultural output value should exceed 60 billion yuan, the production setup should be rationalized, and economic efficiency should be greatly raised. 4) In the next 5 years, we should afforest 20 million mu of land; make new breakthroughs in protecting and further utilizing forest resources and comprehensively exploit forest areas; relieve the crisis in natural resources and the economic difficulties of forested areas. 5) The volume of retail sales should reach 33 billion yuan, and foreign exchange earned from export should reach \$1 billion or more. 6) Science and technology should be even more closely integrated with production, and scientific and technological progress should

reach 30 percent or more of the growth of the national economy. 7) We should establish a relatively reasonable educational structure and strive to make universal 9 years of compulsory education and we should improve the quality of education so that trained personnel will be more suited for the demand of the province's economic and social development. 8) Cultural and sports facilities should be greatly developed, the cultural livelihood of urban and rural residents should be enriched, and urban and rural medical conditions should be markedly improved. 9) The natural population growth rate should be controlled to within 10 per thousand, and a remarkable improvement should be effected in population quality and the people's health. 10) Relatively rapid progress should be made in urban and rural public welfare undertakings; a comparatively big increase should be made in the per-capita income of urban and rural residents; the problem of food and clothing of existing poverty-stricken households in rural areas should be basically solved; the housing area in urban areas should reach 6 square meters per capita; the people's difficulties in adequate drinking and draining water and in transportation should be basically solved; and efforts should be made to enable the people to live in a still more civilized, healthy, and scientific manner.

To fulfill the aforementioned strategic ideas and major goals and to enter a new stage, we should be meticulous in implementing the following strategic measures:

First, we should vigorously develop educational undertakings and depend on science and technology to invigorate our province.

The orientation and emphases of the province's scientific and technological development are: By linking import, absorption, assimilation, and independent development of foreign technologies, we should promote the modernization of technology, equipment, and skills of key industries; gradually realize the "spark plan" of the rural areas; and pay attention to studying and applying the social sciences and soft sciences. In the course of fulfilling the tasks of basic scientific research and teaching, scientific research units and institutions of higher education in the province should focus their energy on developing new, readily marketable products and applied technologies and should regard town and township enterprises as well as small and medium-sized enterprises as important bases for popularizing the results of scientific research. Scientific research institutes should be encouraged to introduce competition, to popularize the contracted managerial responsibility system, and to separate ownership from managerial rights. We should further relax control over scientific and technological personnel and institutions in order to promote close cooperation between scientific and technological fields and the economy. We should gradually change the fund allocation system of scientific research units and should set up special loans for developing applied technology in order to promote the self-development of these units.

We should reform the method of appraising technical titles of scientific workers and popularize the appraisal method, break off the practice of giving consideration to seniority, appraise and promote scientific workers according to their teaching and scientific research achievements, encourage them to fully display their enthusiasm, and induce them to enter the main battlefield of economic construction. We should methodically organize scientific and technical workers or support them in guiding, contracting, or running enterprises by allowing them to leave their posts, resign from their posts, retain their posts but temporarily stop their salaries, or by allowing them to hold part-time jobs. We should combine technology with industry, agriculture, and foreign trade and develop a number of high-technology enterprises and enterprise groups supported by scientific research units and institutions of higher learning. We should pay attention to training and finding from among workers, peasants, and other laborers technical personnel and persons with specialized expertise. We should actively develop the technology market and speed up the process of commercializing scientific findings. It is necessary to attach great importance to the technological transformation of enterprises, equipment renewal, and product upgrading; vigorously strengthen and improve operation and management; raise the level of scientific management in the enterprises; and strive to remarkably improve the technical equipment, methods, product mix, product quality, material consumption, and labor productivity of existing enterprises. We should pay attention to applying the soft sciences and raising the level of policymaking. We should formulate the "outlines of scientific and technological development" suited to Heilongjiang's situation, conscientiously organize forces to implement them, unceasingly summarize experiences, improve policies, mobilize the enthusiasm of the broad masses of scientific and technical workers, and enable them to display their ability and talent in invigorating our province's economy.

To realize the goal of invigorating the province with science and technology, we must greatly develop educational undertakings, ensure a gradual annual increase in educational funds, actively encourage social sectors to collect funds to operate schools, and enterprises and the private sector to run them, and actively carry out work-study programs and paid services in a well-guided and well-organized manner. Rural areas may try setting aside a portion of township and town financial contract funds and use them as educational development funds. We should continue to be in command of basic education, popularize the goal of 9 years of compulsory education, improve the training of teachers, and strive to raise the quality of instruction and the quality of the teachers. Higher education should meet the needs of the province in industrial development and opening up. We should rationally readjust and set up disciplines; speed up the training of badly-needed technical and managerial personnel; accelerate the development of vocational and technical education; adopt various methods to link

plants with schools, such as enrolling and training students who are geared to the needs of a certain sector and encouraging educational and labor departments to jointly operate schools; and train all kinds of specialized personnel and good-quality skilled laborers to work on the forefront of production and construction. We should continue to pay attention to advanced adult studies and speed up the updating of their knowledge. In line with needs and possibilities, we may bring in a number of personnel from abroad. We should continue to improve teaching conditions, strive to solve the problem of the two-shift system in primary and middle schools and the problem of dangerous school buildings, conscientiously and actively solve problems in the lives of teachers and students, and highly respect the work of teachers.

Second, we should give priority to agriculture and continue to lay a solid foundation for it.

Heilongjiang is one of our country's important commodity grain bases; and the processing industry which takes agricultural and sideline products as raw materials has occupied an important position in the local economy. Constant and steady agricultural production is the foundation and guarantee of Heilongjiang's economic development. Therefore, we must constantly adhere to the ideology that there will be no stability without agriculture and always give priority to agricultural development. We should deepen rural reform; persist in making policies that protect and mobilize the peasants' enthusiasm for cultivating grain and developing commodity production; continue to reform the agricultural and sideline production purchasing system; quickly relax control over the price of agricultural products in villages, townships, and counties that have fulfilled their contract purchase tasks; and guard against seeking "uniformity." We should gradually readjust the price of agricultural and sideline products, persist in solving the new problems in rural commodity economic development in line with the law of value, respect and protect the legal rights and interests of peasants who are the commodity producers and dealers, and guard against dampening the peasants' enthusiasm because of improper administrative intervention.

It is necessary to deepen reform among rural supply and marketing cooperatives and credit cooperatives, develop rural trade fairs and specialized wholesales markets, positively encourage peasants to enter the circulation sphere, and enliven the exchange of commodities between urban and rural areas. Based on the principle of voluntary participation and mutual benefits, we should guide peasants to develop various types of cooperation, and encourage and support the development of regional social economic cooperatives. We should positively explore new types of paid transfer of land property rights and the combination of appropriate management scale and agricultural mechanization. It is necessary to further readjust the rural industrial structure and stabilize the development of grain production. While positively developing animal husbandry in pastoral areas, we

should vigorously develop animal husbandry in rural areas. We should carry out preferential policies to support the development of town and township enterprises and agricultural undertakings capable of generating foreign exchange, to promote the transfer of labor forces to non-agricultural industries, and to accelerate the pace at which rural areas are becoming prosperous. A vigorous system of providing production, circulation, science and technology, and information services should take shape in a step-by-step manner to ensure the rational distribution of various means of production. Governments at various levels should ceaselessly increase investment in agriculture, actively guide peasants to increase land input, improve the basic conditions for agricultural production, and ceaselessly upgrade our capability to handle natural disasters. We should accelerate the establishment of an industrial system to support agricultural production, ensure that the volume of chemical fertilizer to be applied will notably increase with each passing year, and substantially raise the supply of plastic film, farm chemicals, and farm machinery. We should strengthen the work of separately guiding the two large plains in the eastern and western parts of the province, to the two large mountainous areas in the southern and northern parts of the province, and to suburban areas. We should realistically attend to the overall development of the Sanjiang plain, and fully and flexibly use state policies. We should accelerate transformation of low-yielding fields on the Songhuajiang and Nanjiang plains, provide large-scale high technology services, and gradually build the two large plains into new types of agricultural production bases where agriculture, forestry, animal husbandry, sideline occupation, and fisheries are comprehensively developed; and industry, commerce, transportation, building industry, and service trade are coordinated. We should enhance the overall exploitation of mountainous resources and strive to establish a group of industries with the advantages of production-supply-marketing coordination and trade-industry-agriculture integration. The urban suburbs should draw up a unified plan to establish meat, egg, poultry, and vegetable production bases to ensure the supply of foodstuffs for urban areas. We should adopt resolute measures to put an end to the phenomenon of arbitrarily raising the price of the means of agricultural production and levying the expenses from the peasants. A system of publicizing among the masses the granting of agricultural loans and the allocation of the means of agricultural production should be carried out.

Third, we should positively readjust the industrial structure and strive to enhance reserve strength for economic development. "Backwardness and poor foundation" are serious factors that affect the province's economic development. Therefore, we must strengthen construction of basic industries and infrastructural facilities. Priority should be given to developing energy resources and the transportation trade. In particular, the power industrial front should ensure fulfilling the task of building 4 million-kw in installed capacity to basically change the strain on the power supply. It is necessary to accelerate

the petrochemical industry to ensure completion of key petrochemical industrial projects approved by the state on schedule. We should ceaselessly expand the machinery and electronics, food, flax and wool textile, building, and building material trades; and pay attention to developing industries integrated with these trades. We should positively develop new technological industries and vigorously develop tertiary industries. Forestry and mining areas should take advantage of existing natural resources to develop refined and intensive processing industries, and should rely on their leading industries to develop substitute and follow-up industries. Various types of industries should grasp market information in a timely manner, positively develop new products in line with the changes in demands, ceaselessly upgrade the rate of high quality products, create a number of competitive and top-brand products, and strive to enjoy a higher reputation and position on the international market. All key cities and forestry and mining areas should learn from Daqing to pay equal attention to developing their leading, substitute, and follow-up industries; organically link self-development with the economic development of other regions; and establish a new inter-regional economic development pattern under which cities spur the development of the countryside, large areas spur on small ones, and the rich help the poor to promote each other and to achieve common development.

Fourth, we should persistently "associate with the south and open to the north," and facilitate opening up the province on all sides.

We should seek ties with the south by opening to the north, promote opening to the north by seeking association with the south, and establish a new "one point, one line, and one area" pattern for opening to the outside world. This means that we should build Harbin into a city with extensive international trade relations, and enable the central city to play its role as a "showcase" in opening to the outside world; make use of the outlets for trade with the Soviet Union to establish an open economic strip along the border areas, and develop the border areas through trade so that the 3,000 km northern frontier can realize prosperity as soon as possible; and expedite building production bases for 10 major export products throughout the province so as to establish an export commodity production network guided by the world market. We should accelerate the growth of our province's export-oriented economy.

We should actively expand trade with the Soviet Union. In line with the principle of "being based on long-term interests, setting sights on immediate interests, making breakthroughs in key areas, starting with easier projects, taking an active role, and achieving stable development," we should promote the association of trade departments with economic, industrial, and technological departments, with the focus on developing trade. We should seize opportunities to expand trade with other countries based on the principle of mutual benefits; lead

the development of economic and technological cooperation, the technical transformation of enterprises, contracting for construction projects, exporting labor service, and tourism through local barter trade; extend our markets to inland areas of the Soviet Union, and actively create favorable conditions for opening the corridor for trade with Europe. We are faced with severe competition in trade with the Soviet Union, therefore we should adequately and flexibly implement the relaxed policies granted by the state. The province should also delegate power to lower levels and further relax policies. While building their own export commodity bases as quickly as possible, foreign trade outlets should provide preferential terms and good-quality service, act as agents for others in exporting their commodities through various measures, draw in products, technology, and funds from areas in and outside the province and in and outside the country, and export them to the Soviet Union and to compete in the markets of East Europe so that the various border outlets will become foreign trade outlets not only for the province, but for the entire country as well.

We should actively develop lateral economic cooperation with coastal areas. We should intensify lateral cooperation by making use of the uneven economic development in coastal areas, the gradual progress of the economy toward export-oriented circulation, and mutually supplement our province and coastal areas to each other's needs. Taking coastal areas as a springboard, we should further open more fields of foreign trade and economic and technological cooperation and expand economic and trade exchanges with developed Western countries and developing countries.

Fifth, we should continuously improve the people's standard of living as production develops.

We should continue work to aid the poor and help them eliminate poverty, continue and improve the method of making provincial departments and bureaus responsible for supporting poverty-stricken counties, adhere to the policy of "giving before taking, and giving water for fish breeding," and basically solve the problem of poverty-stricken counties, while actively helping rural poor households to rid themselves of poverty and achieve affluence after 5 years of effort. We should pay attention to improving the living conditions of border areas and minority townships and villages. We should work out overall plans and put them into effect step by step to build roads, supply electricity, and open postal and telephone services in border and remote townships and villages. We should accelerate the construction of urban and rural infrastructural facilities, improve the people's living conditions, and help them solve urgent and difficult problems in their livelihood. We should organize urban housing construction and development groups, and adopt various measures to renovate urban slum areas and build commercialized houses more quickly. We should make arrangements for urban and rural markets to ensure the everyday needs of the masses. At

present we should particularly intensify propaganda on price reform and strengthen price controls, and clearly explain to the masses the necessity and importance of price readjustments. Meanwhile, we should strengthen market management and resolutely check arbitrary price hikes to protect the interests of the masses.

State commercial units should fully play their role in keeping market prices stable. We should conscientiously strengthen production safety, strictly correct the departments and units where unsafe conditions exist, and guarantee the safety of the lives and property of the people. We should intensify construction of environmental protection and public welfare facilities, and provide a good, clean, and safe environment for the people.

III. Accelerate the Economic and Political Structural Reforms

The theory on the initial stage of socialism put forward at the 13th party congress has provided scientific data and a theoretical basis for the advancement of reform. The reform of our country has entered a crucial stage and we will regress if no progress is made, and there will be no way out if it does regress. In changing the passive situation existing in the economic and social development of our province, we are also required to accelerate reforms in various fields. With the continuous advancement of the economic structural reform, the political structural reform has been included in the schedule of the entire party. A new pattern in which economic structural reform, political structural reform, building of the spiritual civilization and other work supplement and promote one another, and are facilitated as a whole, is bound to appear in the future. Through 9 years of practice, we have had important experiences in reform and opening up, and have increased our ability to control and take the whole situation into account, as well as to plan accordingly. We should take advantage of the favorable conditions provided by history to quicken the pace of reform.

The major task for our province's economic structural reform for the next 5 years is that, in setting the change in the operational mechanisms of enterprises as the central link and in focusing on price and wage reforms, we should further develop and perfect the market system, strengthen and improve macrocontrol, bring basic economic relations into better balance, more quickly replace old systems with new ones, and gradually build a basic framework for a planned commodity economy.

First, we should continue to deepen the reform of the operational mechanisms of enterprises and comprehensively institute the contracted management responsibility system at enterprises, with the emphasis on invigorating large- and medium-sized state enterprises.

We should conscientiously implement the "Enterprise Law" and establish the status of enterprises as legal entities. At present some enterprises lack decisionmaking power in certain areas and face many factors restricting their development. Some enterprises enforcing the contracted management system have not truly adopted competition and risk-taking mechanisms, and still resort to certain myopic behaviors. Therefore, we should pay close attention to and successfully coordinate, improve, intensify, and develop the contracted management responsibility system. 1) We should introduce and expand the mechanism of competition. We should further eliminate barriers between different regions, departments, and ownerships, and those between workers and cadres to provide equal opportunities to bidders and to enable them to compete with one another at the same starting line. This is so able persons can run a plant or a workshop, manage a section of a construction project, or lead a work team. 2) We should introduce and expand the risk-taking mechanism. We should implement risk-taking mortgages to link the personal interests of the contractor with those of the enterprise. We should advocate contracts at every level, and contracts by all staff members and workers so as to closely link the vital interests of staff members and workers with the destiny of the enterprise. 3) We should introduce and expand the mechanism of annexation. We should encourage enterprises with successful management to contract or lease the operation of enterprises with poor economic results, to buy shares of stock from them, or to purchase them. Large enterprises may annex small ones and vice versa, and collective enterprises may annex state enterprises. 4) We should further improve enterprises' mechanisms of restriction. Departments concerned should successfully appraise the assets of enterprises before contracts are signed, and carry out auditing and supervision work after contracts are signed to avoid any myopic behavior on the part of enterprises in the process of fulfilling the contracts. We should proceed from reality to distinguish between the different situations of different enterprises, and explore and work out policy regulations for further invigorating enterprises. This is to provide favorable conditions for deepening the reform of enterprises' operational mechanisms.

We should carry out necessary supplemental reform within enterprises and improve their managerial and operational expertise. We should conscientiously implement the guidelines of the circular of the CPC Central Committee on enforcing the enterprise law; and should perfect the plant director responsibility system, the system under which the plant director is held responsible for attaining given objectives during his or her tenure, and the system under which the performance of the enterprise is subject to supervision through auditing at the expiration of the director's term. We should gradually rationalize relations between the party and the government within enterprises, and should establish a new operational mechanism. We should give play to the role of workers and staff members congresses, and enhance the workers' sense of responsibility as masters.

We should not only ensure that enterprises' managers can exercise their managerial rights independently, but also ensure that workers can exercise democratic rights. Within enterprises, we should carry out graded management and graded financial accounting, establish in-plant banks, popularize the "full workload method," and gradually establish a perfect system of management by objective and a perfect network of economic responsibility systems. We should carry out diverse wage systems. If possible, the enterprises that implement the contract system should carry out the link-up method according to the principle of basing an enterprise's total payroll on its economic performance and in light of their specific conditions. Enterprises implementing the performance-based wage system, should not impose an upper or lower limit on their wages. We should also accelerate the reform of enterprises' labor and personnel systems, popularize the contracted worker system, enliven the fixed wage system, and perfect the labor organization system.

Over the course of attending to the necessary supplementary reform within enterprises, we should also pay attention to the necessary supplementary reform outside enterprises. No department will be allowed to retain or intercept the powers that should be transferred to enterprises. Relevant departments in charge of enterprises should be good at making flexible adaptations and formulating preferential policies to support enterprises to implement contracted management. We should resolutely and conscientiously implement the demand put forth by the State Council's circular on checking unjustified financial levies imposed on enterprises. Departments concerned should assume responsibility for inspecting and supervising this work.

Second, we should positively promote lateral economic associations, and vigorously organize and establish enterprise groups.

We should actively organize and establish various forms of enterprise groups by breaking down barriers between different regions and departments, and by achieving breakthroughs in the existing system of ownership, administrative relations, and the "three unchanged" regulations that concern revenue delivery channels. By taking advantage of economic and technological superiority, we should organize and establish enterprise groups that are guided by quality and top-brand products and by large and medium-sized enterprises. We should make good use of ports designated to develop trade with the Soviet Union to organize and establish export-oriented enterprise groups. We should organize enterprise groups that link production with scientific research. We should also positively support the province's enterprises in joining enterprise groups of other provinces. Vigorous support should be given to organizing large enterprise groups and enterprise associations that produce instruments, heavy-duty machine tools, heavy machines, automobiles, coal mining equipment, iron and steel, dairy products, sugar, plastics, paper, and flax. We should

study and formulate policies to encourage the development of enterprise groups. Toward those enterprises or enterprise groups that exert important influence over the development of the provincial and regional economy, the experiment of independent economic planning should be carried out so that they can enjoy preferential treatment in investment in fixed assets, the development of new products, fixing the prices of self-marketed products, and foreign trade.

Third, we should readjust and reform the structure of ownership and develop diverse sectors of the economy.

Over the past few years, the collective sector of the urban and rural economy of the province has developed slowly. One of the major reasons is the failure to radically change the management of collectively-owned enterprises by treating them as completely people-owned enterprises, thus dampening the initiative of collectively-owned enterprises. In the future, we should strive to improve management of collectively-owned enterprises, and allow these enterprises to actually have autonomy in management, operation, and distribution to promote further development of the province's collective sector of the economy. Proceeding from the province's reality, in the future we should vigorously support and develop the individual sector of the economy and strive to tap the potential in this regard. The legitimate rights and interests of private enterprises should be protected, their legal economic activities should be supported, and encouragement should be given to those who make great contributions to the state so that these enterprises develop rapidly. We should exert greater efforts toward improving the investment environment of Sino-foreign joint ventures, contractual enterprises, and foreign-funded enterprises; and should perfect regulations and managerial methods for these enterprises in order to give better play to their role of promoting the economic construction of Heilongjiang.

Fourth, we should strengthen and improve overall management and gradually establish an indirect but effective system of regulation and control.

We should take active and prudent steps to reform the planning, materials, financial, banking, and foreign trade system, promote a change in government function, and gradually form an economic operational mechanism in which the state regulates the market and the market guides enterprises. We should improve Heilongjiang's financial structure with "separate financial accounts in each locality," and implement various forms of the all-round financial contract system under which the province guides prefectures and cities, and prefectures and cities guide counties. The province-level financial departments should implement the methods of "assuming responsibility for financial delivery at a progressive rate and for a proportionate share of revenue"; the method of prefectures and cities which can guarantee the fulfillment of their original financial plans "starting to manage one's own revenues and expenditures," while

they will otherwise receive small financial subsidies; and the method of "fixing the ratio and assuming responsibility for reducing financial delivery" among prefectures and cities that receive financial subsidies. Meanwhile, we should gradually try allocating fixed-quota subsidies in advance as circulating funds to support production, and set a time limit for ending the fixed-quota subsidies. All prefectures and cities should also adopt various methods to implement the all-round financial contract system in their subordinate counties (cities) in line with their own reality and in light of the provincial method for prefectures and cities. While consolidating and improving the consumer goods market and the science and technology markets, we should give priority to developing all forms of markets for production elements, expand the variety and supply of plan and above-plan products, and gradually create various types of open markets for capital goods. To develop the money market, we should employ various methods to collect and circulate funds, establish and improve markets for issuing and exchanging stock and for regulating foreign exchange, speed up the pace of converting specialized banks into enterprises, open up more channels for collecting funds, and intensify the capacity to ensure the supply of funds. We should further develop labor-service markets and encourage enterprises to make up for one another's labor force deficiencies with their surpluses, in an effort to promote a rational flow of labor forces.

Fifth, we should establish various areas of reform experimentation.

We should conscientiously grasp the work of the three state-assigned experimental areas, including Shangzhi County, the Weihe Forestry Bureau, and the Suibin agricultural farm, and provide experience for deepening rural reform. While continuing our efforts to grasp the already decided upon experimental reform work, we should also realistically implement several additional reform experimental areas. First, we should attend to the urban and rural comprehensive experimental area in Mudanjiang City and enable it to become the first area to implement the systems, to become rich before others, and to play a role in using its experience to promote reform and development in the whole province. Second, we should use Suifenhe, Tongjiang, and Heihe as experiments to invigorate the border areas with trade and to establish an open economic zone in the border area. Third, we should develop the Taoshan Forestry Bureau into a comprehensive timber development and utilization experimental area which integrates cultivation with felling, processing and sales; rely on timber production to develop an intensive and precision processing industry and a series of products; and accumulate funds for developing forestry. Fourth, we should develop a mining experimental area in Jixi City, rely on leading industries to develop successive industries and substitute industries, and realize a benign cycle in the economy of the mining areas. As for the above-mentioned experimental plans, the departments concerned and the pilot units should do a conscientious job of carrying out program

designs and appraisals, proceed from reality, and advance the work in a planned, step-by-step, and down-to-earth manner. All cities and prefectures may also proceed from the reality of the situation and establish their own reform experimental units. The reform experimental areas should explore ways to carry out their duties and achieve breakthroughs in implementing policies and systems. In addition, they must integrate the diversified explorations with standardized construction.

With the deepening of economic structural reform, political structural reform has also been listed on the party agenda. In line with the plans and demands of the party Central Committee and the reality of our province, we should be fully prepared in terms of ideology and organization. We should carry out the political structural reform in a resolute, prudent, well-guided, planned, orderly, and step-by-step manner.

First, we should do a good job of separating party and government functions and strengthening the political leadership of the party.

All localities should conscientiously exercise their duty in the five fields that were entrusted to the local party committees in the report of the 13th party congress, and gradually regularize and institutionalize it. The separation of party and government functions by no means indicates that local party committees are deprived of their leadership over economic work. However, the aim of separating party and government functions is to change the method and work content of the previous leadership. Local party committees should unswervingly attend to the major principles and major policy decisions that relate to economic work. In guiding economic work, local party committees at various levels should emphasize studying and analyzing the economic development situation; adopt realistic measures to ensure implementation of the principles and policies on economic development and economic structural reform formulated by higher-level party committees and governments; define local economic and strategic social-development ideologies and targets; and make policy decisions on the major questions that relate to local economic construction and local economic structural reform. Party committees at various levels should ceaselessly summarize their experiences in guiding economic work over the course of practical work.

We should conscientiously change leadership methods and workstyles. In line with actual local conditions, we should creatively implement the central authorities' principles and policies. Major local policies and measures which should be converted into rules and administrative regulations should have this done in line with legal procedures. We should fully support organs of state power, judicial organs, and administrative organs to exercise functions and powers entrusted by the Constitution and the law. We should also pay attention to bringing into play the functions of economic, cultural, and mass organizations. Outstanding skilled persons

should be recommended to take on key government posts. We should rely on party members to do a good job in mass work and ideological and political work and to effect the party's political leadership. According to the principle of separating party and government functions, we should abolish overlapping party and government organs on the premise of permitting governments take charge of relevant professional work. We should abolish, in a step-by-step manner, leading party groups of the departments under provincial-level organs, except for political and legal departments and cultural and educational departments, to improve and strengthen the party organizational work of the organs.

Closely in line with the "enterprise law" and according to the principle in which plant directors assume overall responsibility, enterprise party committees play a role in guaranteeing and supervising implementation of policies, and in which staff and workers exercise democratic management, we should balance the relationship between the party, the administrative offices, and trade unions. Instead of exercising unified leadership over the enterprise work, enterprise party organizations should largely concentrate on self-construction, perform their role of acting as a powerful fighting force, have party members bring their exemplary vanguard role into play, do effective ideological and political work with the masses, and play a role in guaranteeing and supervising the implementation of the party's principles and policies as well as state decrees. In line with the principle of ensuring that the ranks of personnel should be small in number but highly trained, enterprises should proceed from reality to steadily readjust the work organs and personnel of the enterprise party organizations.

Second, we should further delegate power to the lower levels to arouse the enthusiasm of the grassroots.

In line with the principle under which matters that should appropriately be handled by lower levels are decided and handled by these levels, we should accelerate the pace of expanding the powers of key cities and further delegate powers to counties (districts) and townships (towns). Recently, the province formulated specific policies on relaxing and enlivening the management of planning, finance, tax revenue, banking, foreign trade, labor wages, and industrial and commercial administration, on delegating powers for managing provincial-level enterprises to the lower levels, on delegating powers to counties and districts, and on developing the individual sector of the economy. These policies will be put into effect in succession. Thus, all localities and departments should proceed from reality to formulate relevant policies to ceaselessly coordinate and improve the implementation work. The provincial-level departments should conscientiously sort out and reform the rules and regulations that are not conducive to the development of productive forces. Rules and regulations which should be abolished or revised should be abolished or revised, and powers which should be delegated to lower levels should

resolutely be delegated. The provincial-level departments should hold themselves responsible to the provincial party committee and to the provincial government, to consciously safeguard the integration of government decrees, and should also resolutely correct the phenomenon of "each unit acting on its own," in order to assist the overall planning and coordinated development of the province's economy and all undertakings.

Third, we should attend the organizational reform in a positive and sound manner.

In line with the organizational reform of the State Council, the provincial government organs should begin organizational reform in succession whenever conditions are ripe. Experiments of organizational reform should be among governments at the city and county levels to obtain experience. The organizational reform of governments at the township and town levels should follow that at the county level. Changing the functions of governments is the key of organizational reform. In line with the principle of separating government administration from management of enterprises or institutions, governments and departments at all levels should no longer exercise direct administration over enterprises and institutions and directly manage their funds and materials; and should strengthen the functions of making policy decisions, providing consultations, conducting regulation, exercising supervision, conducting auditing, and providing information so that they can change from mainly exercising direct administration to mainly exercising indirect administration, and can really serve the grassroots units and the development of productive forces.

Fourth, we should reform the cadre personnel system.

In reforming the cadre personnel system, we must implement the principle of "stressing practical results, encouraging competition, and exercising democratic and open supervision." We should continue to implement the system of democratic appraisals, the system of responsibility in attaining the given objectives within one's tenure, the method of election from a larger number of candidates, the cadre exchange system, and the system under which cadres can work at higher or lower levels as required. We should positively try out the system of democratic appointment of cadres through selection, examination, or invitation, to gradually form a set of scientific regulations on personnel affairs. The awards, punishments, continued appointment, promotion, or demotion to cadres should be determined according to the results of democratic appraisals and with the cadres' practical performances. In reforming personnel system, enterprises should positively introduce competition and select managers by advertisement. This method should be comprehensively popularized among small enterprises, and should be gradually spread among large and medium-sized enterprises on an experimental basis. Within enterprises, we should carry out the level-by-level appointment system by breaking the boundaries between

leading and ordinary cadres, between cadres and workers, and between different grades. Organizational and personnel departments of party committees and governments at all levels should exercise macro-control over personnel affairs management.

Fifth, we should perfect the democratic consultation and dialogue system.

All those important decisions related to the immediate interests of the masses, the establishment of all important regulations and systems, and the major policy decisions and activities of all party and government organs should be imparted to the masses in a timely manner through various forms so they will be understood and supported by the masses. Leaders at all levels should conduct direct dialogues with the masses, and tell the truth to and do tangible things for the masses. Empty promises should not be made for those unattainable demands; while those attainable ones must be fulfilled. Dialogues should also be conducted between different strata, parties, mass groups, and professions. All consultations and dialogues should be conducted in a democratic, open, equal and practical manner to strengthen mutual understanding, and find out ways to solve contradictions. Through various forms of consultation and dialogue, we should enhance the degree of openness of leading organs, strengthen the masses' capacity of involving themselves in and discussing political affairs, and promote the change in workstyle of leading organs and cadres.

Sixth, we should strengthen the building of socialist democratic politics.

The building of democratic politics at the present stage should be focused on improving actual effect, on mobilizing the initiative of the grassroots units and the masses, and on improving the basic systems. We should continue to improve the people's congress system, correctly handle the relationship between party committees and people's congresses, and actively support people's congresses to exercise functions and powers according to law so that people's congresses at all levels will truly become authoritative organs of state power.

People's congresses at various levels should strengthen supervision over the work of governments, courts, and procuratorial organs; and simultaneously support their work. Deputies to people's congresses at various levels should maintain extensive contacts with the people, truly and fully represent the aspirations of the people to become involved in and discuss political affairs, and consciously accept supervision by the masses. Party-member deputies should exercise democratic rights while safeguarding the party's resolutions. We should persist in the system of multi-party cooperation under the leadership of the CPC. The CPPCC, democratic parties, and mass organizations should bring into fully exercise their functions of conducting political activities, economic construction, systemic reform, and social

development. We should regularize and institutionalize the political consultation of major questions on the premise that consultation should be conducted before policy decisions and supervision should be exercised after policy decisions. It is necessary to publicize government affairs. Government departments should publicize the system of handling affairs and the results in handling major matters relating to the establishment of close contacts with the grass-roots masses and place themselves under the supervision of the masses. Government departments should bring into fully exercise their function of supervising the media and bravely expose problems persistently in line with the principle of seeking truth from facts. Trade unions, CYL organizations, women's federations, federations of social science, federations of literary and art circles, science associations, Overseas Chinese federations, Taiwan compatriots federations, and industrial and commercial federations should reform their organizational systems; improve the methods of conducting activities; launch their work according to their individual characteristics; better demonstrate and safeguard the proper requirements and interests made on behalf of the masses; and bring into full play their enthusiasm and creativity.

Because Heilongjiang is a border province with people of various nationalities, the enhancement of the unity between the various nationalities is of great significance in promoting the province's stability and unity. So, we should continuously consolidate mass unity between various nationalities and develop a new relationship among various nationalities characterized by socialist equality, unity, and mutual assistance. Party organizations at various levels should pay much attention to the nationalities issue, conscientiously enforce the party's policies toward nationalities, and strive to achieve the work toward them.

Seventh, we should realistically strengthen the socialist legal system.

We should continuously work on propaganda and education about the general knowledge of law and the legal system; regularize, institutionalize, and systematize propaganda and education; and improve the citizens, particularly the leading cadres', awareness of law. We should attend to the formulation of rules for local people's congresses, particularly economic law; strive to coordinate and perfect the rules, and gradually embark on the path of running the province according to law. In line with requirements set forth by law, policies, and systems, we should inspect and consolidate departments that cause strong repercussions for abusing their power and resolutely solve the problems of extorting money, manipulating power for selfish ends, neglecting one's duty, and illegally infringing upon human rights. We should strengthen the supervision of law enforcement; persistently examine law enforcement; and ensure the implementation of the principle of abiding by existing laws, strictly observing the laws already enacted, and investigating law-breaking activities. Hostile elements

that damage socialism should be handled resolutely according to law. Various forms of criminal offenders and economic criminals should be strictly punished. Activities that disturb social order should be investigated and handled. We should set forth measures to guard against criminal activities, persist in limiting punishment of criminal offenders and guarding against criminal activities, improve overall social order, handle conflicts between people, and ensure the smooth progress of reform and construction. We should strengthen education on national defense, enhance the building of reserve strength for national defense and the people's armed police forces, and care for and cherish the people's own army. It is necessary to further consolidate and develop the situation characterized by unity and stability.

We should comprehensively deepen reform; positively conduct reform in the spheres of education, science and technology, culture, public health, and sports; and strive to promote the development of all undertakings.

IV. Strengthening Party Building and Improving Party Leadership.

The 13th party congress demanded that "all work of the party during the new stage must ensure the implementation of the party's basic line. Party self-construction must undergo reform with a view to meeting the new situation of reform and opening up." This is an important change in the guiding ideology for party building. During the new stage, all work of the party must focus on ensuring the implementation of the party's basic line; be geared to the new situation of reform, opening up, and the developing commodity economy; focus on reforming the party's self-construction; and focus on reforming the leadership, work, and forms of activity in line with the demand of separating the party and the government in order to realize the party's political leadership. We should improve the ideology, organization, and workstyle of the party and should enable party organizations at all levels and the vast number of Communist Party members in the province to withstand new tests and lead the province's people to pioneer the road of advance and fulfill the task of revitalizing Heilongjiang.

First, we should strengthen the party's ideological building and give play to the vanguard and exemplary role of party members.

The basic task of the party's ideological building is to repeatedly and profoundly conduct education on the party's basic line and on its basic knowledge in line with the ideological reality of party members. We should firmly and unremittently educate party members to comprehensively understand the national situation and grasp the theory of the initial stage of socialism. Party members should firmly define the standards for productive forces; strengthen the sense of reform, opening up, and the commodity economy; and stand at the frontline in developing the commodity economy. We should firmly and unswervingly educate party members to

strengthen their sense of their part, to frequently enhance their sense of party spirit, to always think about their historical duties, and to always make demands on themselves as required by party members. Party members should conscientiously safeguard the party's interest and reputation and should never lower their level of ideological awareness to the level of the ordinary people. Party members should also be educated to firmly define the purpose of serving the people; conscientiously handle well the relations of interests among individuals, the state, and the masses; and successfully pass the "test of power" under the condition of ruling the country and pass the "test of money" under the condition of reform and opening up. Party members should be educated to advance the spirit of arduous struggle and should willingly dedicate themselves to the state; share the weal and woe of the masses; handle all affairs through thrift; voluntarily do their work well; and become models with lofty ideals, moral integrity, knowledge, and a sense of discipline.

Second, we should strengthen the organizational building of the party and give play to the fighting role of party organizations at the grass-roots level.

We should persistently regularize the activities of the party at the grass-roots level. We should assess the vitality and fighting capacity of party organizations at the grass-roots level by the standard of "whether they have frequently conducted education, conducted criticism and self-criticism, consolidated discipline, eliminated corrosive elements and dealt with unqualified elements, drawn excellent elements, and carried forward healthy practices and opposed evil ones." In line with these standards, we should establish and perfect the regular activity system of party organizations at the grass-roots level, make the meetings of party branches and groups a success, and conduct a good organizational life. Party organizations should manage party members well in line with changes in party members' activities so that party members can participate in party activities no matter what their jobs or where they go. Specific demands should be set on party members to exploit their role, and regular check-ups should be conducted. We should conscientiously conduct criticism of party members; constantly strengthen the building of the bodies of party branches; and consolidate in a timely manner those party branches which are listless, weak, and paralyzed. Those party members who have a strong sense of reform, persist in party spirit and principle, and wholeheartedly serve the masses should be promoted to leading posts in party branches.

Under the new historical condition, party organizations at the grass-roots level should be required to constantly strengthen their immunity from evil trends, their capacity for struggle, and combine criticism with self-criticism so that they can constantly enhance their ability to solve their own contradictions and strengthen their coherence and fighting ability. Party organizations at the grass-roots level should also learn to solve independently the

new problems emerging in the course of developing the commodity economy, carrying out reform, and opening to the outside world and should intensify their sense of serving the people and their function of giving them guidance. Such organizations should maintain close ties with the masses, show concern for their weal and woe, and do good and tangible things for them. In recruiting new party members, we should strictly ensure quality and avoid putting undue emphasis on quantity. Attention should be paid to discovering and training party activists from the practice of reform and opening up, and then attracting them to the ranks of the party members. Unqualified party members who refuse to perform their duties, participate in party activities, and conduct party work and those who refuse to mend their ways despite education should be advised to withdraw from the party. Party members with serious problems should have their names removed from party rolls in order to maintain the purity of party organizations. Leading party organs at all levels should strengthen their guidance of grass-roots level party organizations and strive to do all regular work well so that the grass-roots level party organizations will become a strong fighting force.

Third, we should strengthen the building of party style and discipline and step up the party's coherence.

Since the 3d plenum of the 11th CPC Central Committee, party organizations at all levels as well as the vast number of party members in the province have firmly implemented the party's line, principles, and policies; have positively and faithfully served the people; have manifested a spirit of doing solid work and creativity; and have made new contributions to building the two civilizations. However, quite a few problems remain, and some problems are even extremely serious: Problems such as abusing one's power to seek personal gain, doing things in a bureaucratic way, appointing people by favoritism, and indulging in extravagance and waste are still extremely conspicuous. Some corrosive phenomena and a few corrosive elements actually exist. All these problems have evoked many complaints and discussion among the masses. Therefore, we must pay great attention to them and strive to solve them through conscientious work.

Consolidating party style and enforcing party discipline are extremely arduous tasks. We should strengthen our confidence, make up our minds, and adopt feasible measures to do this work. 1) We should depend on reform and strengthen the building of the legal system. While old structures are being superseded by new ones, the imperfect legal system, uncoordinated policies, imperfect regulations, and unequal opportunities are major conditions for engendering unhealthy trends. Therefore, in consolidating the party style, we should conduct reform and gradually handle affairs according to systems and laws. This is a fundamental way to rectify party style. We should reform the structure based on over-concentration of power in order to avoid and overcome bureaucracy within the party; reform the cadre

and labor personnel systems to eliminate unhealthy trends in employment; reform the supply and circulation systems to solve unhealthy trends in economic activities; and reform the housing system to check unhealthy trends in housing. From now on, along with the deepening of reform, we should formulate a series of feasible systems and regulations for building party style, and should firmly implement them and constantly regulate and improve them. 2) We should strictly manage the party and enforce party discipline. Some party organizations currently are reluctant to manage party work or they administer the party in a slack manner, thus engendering unhealthy trends within the party. Consequently, party organizations and party members at all levels should strengthen their sense of party discipline, handle affairs in strict accordance with the party Constitution and party discipline, and raise their fighting capacity to struggle against unhealthy trends within the party. Priority should now be given to investigating and dealing with such cases as abusing one's powers to seek personal gain, infringing upon the interests of the masses, doing things in a bureaucratic way, squandering the property of the state and collectives, undermining the party's democratic centralism, and infringing upon the democratic rights of party members. In enforcing discipline, we should resolutely overcome the tendencies of leniency and weakness.

We must persist with the principle that everyone is equal before party discipline, and should by no account be lenient toward higher-level persons while being strict with lower-level persons, or lenient toward relatives and friends while being strict with others. Severe punishment should be imposed on those who indulge in serious evil practices and violate laws and discipline, no matter how high their rank. All depraved phenomena and persons within the party should be ferreted out and eliminated. Those who have caused grave losses due to serious bureaucratic troubles should be held accountable and should be punished according to party discipline. Those who break criminal statutes must be dealt with according to the law. In dealing with such persons, we should not replace legal discipline with party and administrative discipline. We should resolutely eliminate the trend of interceding for some people and the favoritism network. Those who are over-lenient toward and protect law-breakers within the party should be considered negligent and should be held accountable. 3) The entire party should engage in comprehensive administration. Rectifying party style should be carried out in many fields. Functional departments of party committees at all levels should list rectifying party style as an item on their daily agenda; attend to building party organizations, ideology, and workstyle in coordination with organizational, propaganda, and united front work departments; organically combine building party style and discipline with building socialist spiritual civilization; and bring about good administrative and legal discipline and a positive social atmosphere by improving party style and enforcing party discipline. In close coordination with administrative

supervisory departments, economic supervisory departments, and judicial organs, the party's discipline inspection departments should pay attention to thoroughly controlling party discipline, administrative discipline, and legal discipline in a coordinated manner to form a situation in which higher-level and lower-level authorities make concerted efforts to grasp and manage the work. 4) Beginning with party members and cadres, the responsibility system in party style should be established at each level. Leading party-member cadres at all levels should persistently carry forward the party's "three major styles of work;" should take the lead in performing their official duties, enforcing laws, and resisting unhealthy trends; and should maintain the fine tradition of honestly performing duties and working hard. We should be strict with ourselves as well as with our relatives and working personnel. Leading party and government organs should conscientiously implement the CPC Central Committee's decision on banning party and government organs from engaging in business, and should strive to "invigorate the economy and make party and government organs clean and honest." The responsibility system in party style and discipline should be further improved. Principal leading comrades of party committees at all levels should assume their responsibilities. In the future, when there are cases of members of a leading body who abuse their powers to seek personal gain and who violate laws and discipline in a leading body, we should ensure that not only the persons who committed such abuses, but also the principal leaders of the body are held accountable.

Party committees at all levels should positively support discipline inspection departments in doing a good job of fully understanding and developing party style and discipline, and should also remove interference and create conditions for them to investigate and deal with various legal violations. Discipline inspection departments should investigate and deal with violations of personal gain and the law.

Fourth, we should strengthen building leading bodies and raise the level of expertise in the party leadership.

In building leading bodies at all levels, we should follow the guideline of "strengthening, improvement, appropriate readjustment, and paying attention to stabilization;" comprehensively understand and conscientiously implement the principle of "four requirements of cadres;" persist with standards that force cadres to have both ability and political integrity; and select excellent persons who emerge in the course of reform and opening up and promote them in a timely manner to leading bodies at all levels to strengthen the vitality of these bodies. We should persist in appraising cadres' achievements with their actual performances and consider their actual performance as the major basis for promotion, demotion, dismissal and continuation of employment.

While investigating, judging, appraising, and appointing cadres, we must guard against and avoid using one's own impressions or one's relationship, whether good or bad,

toward a person. We should also pay attention to training and selecting female cadres, and strive to run all levels of party schools well and turn them into important bases for cultivating and training cadres at all levels.

Leading bodies at all levels should continue their efforts to intensify fighting strength, raise the party's leadership level, strengthen their sense of reform, enhance party spirit, and dare to blaze new trails. We should creatively implement the party's line, principles, and policies and continue to strengthen our courage, insight, and ability to control reform and to view the entire situation during reform and opening up. It is necessary to enhance our sense of principle, dare to manage and resist unhealthy trends, support what is right and drive out evil, allow those who establish relations and serve as (?peace-makers) to find no market for their tricks, and realistically attend to the problem of weak and listless leadership. We should strengthen unity based on adhering to principles. All members of leading bodies should consider the overall situation; pay attention to party spirit and unity; trust, understand, support, and learn from one another; and strive to prevent and reduce "internal conflicts." We should resolutely end the situation in which "the people find it easy to handle their work, but difficult to deal with personal relations," and form a united and harmonious work situation. Continued efforts should be made to raise the level of policymaking. All major policy decisions should be made through repeated investigation and study, full practice and on a scientific basis, comparisons of more than two plans, and appraisals by various quarters and extensive solicitation of views from the masses so as to avoid the practice of having one person decide on major issues and prevent careless policymaking. When we establish policies we must actively organize people to implement them and coordinate with one another to solve problems. All levels should supervise and investigate implementation of policies and grasp the work at each level until real success is achieved.

Fifth, we should strengthen Marxist theory and raise the theoretical level of party members and cadres throughout the province.

The Marxist theory was, is, and will be our party's theoretical basis and guidance for our acts. While building socialism with Chinese characteristics, only by systematically studying Marxism-Leninism-Mao Zedong thought and the party's major documents can we correctly understand and master the theory of the initial stage of socialism and the party's basic line, enhance our awareness of adhering to "one central task and two basic points," and intensify our senses of principle, system, insight, and creativity in our work.

Theoretical and social workers should immerse themselves deeply in the practice of reform and opening up, have courage, become good at studying and solving new problems in practice based on studying our basic theories well, continue to put forward valuable research

findings, and contribute to deepening and developing theories on the initial stage of socialism and guiding the building of two civilizations. Comrades who have engaged in practical work, particularly leading comrades, should redouble their efforts to thoroughly understand basic Marxist theory, study and understand the "12 theoretical viewpoints" that were systematically summarized at the 13th party congress, and make these viewpoints take root in people's minds and consciously guide reform and construction. We should strive to build a grand Marxist theoretical rank, encourage theoretical and practical workers to integrate their efforts, support and urge the people to boldly explore and hold free discussions based on scientific research, and actively create a good environment and conditions for theoretical study.

The ongoing province-wide discussion on standards for productive forces is a good forum for studying the theory of the initial stage of socialism and conducting education on the party's basic line; as well as a new starting point for emancipating minds, deepening reform, and embarking provincial work on a new stage. Therefore, we should continuously explore this discussion and combine it with the study of the theory of the initial stage of socialism, so that we may solve practical problems that emerge in reform and construction, with deepening investigation and study of the situation of Heilongjiang and of various cities and counties, and with the practice of leadership, so that we can conduct study, discussion, investigation, research, and simultaneously promote our work.

Sixth, we should strengthen leadership over the party's ideological and political work.

As a profound social change, reform will certainly bring about major changes in production forms, lifestyles, and modes of thinking. As a goal of thousands upon thousands of the people, reform must be understood and supported by the masses. At present, the people's thinking is lively as never before. This is an expression of social progress. However, many ideological problems have emerged. Therefore, amid the new situation of carrying out reform, opening to the outside world, and developing a commodity economy, we should all the more improve and strengthen ideological and political work. Ideological and political work has always been a superior point of our party. Far from discarding this superiority, we should give full play to it.

Ideological and political work must be oriented toward serving the party's basic line. While, thoroughly conducting ideological and political work, we should cultivate the people's awareness in socialism, strengthen the people's understanding of the commodity economy and of reform, and promote the renewal of the people's concepts. We should also make ideological and political work penetrate all spheres of reform and construction, mobilize the people's initiative in upholding socialism, encourage the masses to struggle toward realizing the party's basic line.

Ideological and political work must be focused on mobilizing the people's initiative and must be conducted based on respecting, understanding, being concerned with, and loving others. At present, many ideological problems become entangled in practical problems. To solve these ideological problems, we must begin by solving practical problems and then correctly persuade and guide on this basis. We should resolutely change the method of replacing ideological and political means by economic and administrative means. In conducting ideological and political work among the masses, leaders and cadres must tell the truth. Through absolutely sincere contacts and talks between leaders and those being led and between cadres and the masses, we should strive to establish a good environment and climate characterized by democratic equality, two-way contact, mutual understanding, and mutual education. Only by so doing can we attract and rally the vast number of the people around the party and enable them to plunge into the practice of reform and construction with one heart and one mind.

Ideological and political work must be closely combined with economic work and various types of social activities. We should resolutely discard the method of delivering empty sermons and other simple and rigid methods, but should instead use the people's personal experiences and methods well received by the masses to conduct ideological education, and should make ideological and political work permeate production and management, permeate recreational activities, permeate the study of scientific and general knowledge, and permeate the people's livelihood and service.

This will not only help us give correct guidance for various activities and approach these activities ideologically and develop them in a sound manner, but will also help the masses gain correct ideological enlightenment from these activities and then foster correct moral concepts from the imperceptible influence of a healthy mood. Separation of party work from government work and implementation of the enterprise manager and factory director responsibility system do not mean lowering the position of the party's ideological and political work. In carrying out reform, organizational functions and personnel should be readjusted, while ideological and political work must be strengthened rather than weakened. Enterprise reform involves the interests of many people, and will engender many contradictions. Refusing to do the work concerning the people and to explain the truth to the people through ideological and political work, we will be unable to successfully fulfill the task of reform and the task of contracting enterprises. Factory directors must assume comprehensive responsibility for economic work and ideological and political work, and should closely combine ideological and political work with enterprise management. In conducting ideological and political work, party organizations of enterprises should strive to explore a new path on which party and administrative organizations closely cooperate with each

other and depend on all party members as well as workers and staff members to make ideological and political work a success.

Ideological and political work must focus on creating a "minor climate" and improving the "major climate." Party organizations at all levels should conduct positive and fruitful education in ideological work in line with the special features of various departments and by defining the focus of each department's ideological and political work so that they can make the people's will coherent, arouse their spirit, mobilize their initiative, and create a healthy "minor climate." All propaganda and public opinion bases, law enforcement organs, and social service organs should pay attention to building professional morality, strengthening ideological awareness in their work, and creating a new order favorable to developing a socialist commodity economy. We should constantly study and explore new ways and methods to conduct ideological and political work, and pay attention to summing up and popularizing good experiences gained in conducting ideological and political work in order to gradually form a "major climate" of ideological and political work that is civilized, healthy, and progressive. We should fully affirm the achievements scored by political work cadres in strengthening and improving ideological and political work during the new stage, attach importance to and value the initiative of these cadres, earnestly solve their practical problems in work and livelihood, and give full play to their role as the major force in doing ideological and political work among the masses.

Comrades! After the convocation of the 13th CPC Congress, thanks to the launching of the discussion on standards for productive forces, the leadership and the rank and file in Heilongjiang have been awakened after repeated reflection, thus bringing about a new situation of accelerated reform, expanding the scope of opening up, and vying with one another in developing production. However, we are faced with many difficulties and problems. In particular, the low temperatures and excessive rains this spring have adversely affected our agricultural production. Therefore, it is an extremely glorious but arduous task for us to invigorate Heilongjiang. Party organizations at all levels, all party members, and the vast number of the masses in the province should emancipate their minds, enhance their spirit, clearly understand the current situation, advance despite difficulties, pioneer the road of advance with one heart and one mind, and firmly and indomitably struggle for victory in all aspects of work and for building a prosperous, civilized and democratic Heilongjiang!

ZHONGGUO XINWEN SHE Sets Up Hainan Branch

*HK2806125888 Beijing ZHONGGUO XINWEN SHE
in Chinese 1416 GMT 24 Jun 88*

[Text] Haikou, 24 Jun (ZHONGGUO XINWEN SHE)—A Hainan branch of ZHONGGUO XINWEN SHE was officially set up in Haikou City, Hainan Province today. Present at the Hainan branch inaugural

ceremony were Xu Shijie, secretary of the Committee for Establishment of Hainan Province; Liang Xiang, principal responsible person of the Hainan Provincial Government; and Wang Jinxi, deputy director and editor-in-chief of ZHONGGUO XINWEN SHE.

ZHONGGUO XINWEN SHE is a non-governmental news agency run by well-known Chinese journalists and people from the returned overseas Chinese circles. Founded on 14 September 1952, the news agency provides all-round information and cultural services to overseas Chinese, Hong Kong and Macao compatriots, and foreigners of Chinese descendant. The Hainan branch is the fifth of a series of branches that ZHONGGUO XINWEN SHE has established on the mainland, following Shanghai, Guangdong, Fujian, and Guangxi branches.

Xu Shijie, secretary of the Committee for Establishment of Hainan Province; and Liang Xiang, principal responsible person of the Hainan Provincial Government, addressed the inaugural ceremony. Xu Shijie said: ZHONGGUO XINWEN SHE is a news agency in charge of propaganda abroad. It has faithfully and promptly covered the birth of Hainan Province and the progress made in the establishment of a large special economic zone on the island, thus extending support to us in the opening up process and reform, and encouraging more overseas Chinese and businessmen to invest in Hainan and run development projects here. Liang Xiang noted: Hainan Province is one of the well-known homes of overseas Chinese. There are now more than 2 million Chinese of Hainan origin living abroad and they can serve as a great force. The establishment of a branch of ZHONGGUO XINWEN SHE in Hainan will enable this news agency to promptly publicize Hainan's policies on local development, provide updated information about the province's construction, systems, and present state, help overseas Chinese to become better informed about the province, and thus give an impetus to the development of an export-oriented economy on the island.

LIAOWANG on Reform, Higher Education
HK2606070088 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 24, 13 Jun 88 pp 12-13

[Article by Li Wu (7812 5617): "Impact of the Wave of Reform on China's Higher Educational Circles"]

[Text] Since the university entrance examination system was restored in 1977, China's higher educational circles have never faced such a situation as awkward as the one they are facing today:

—Since last year there have been more cases of university graduates who were rejected by units to which they were assigned and the situation characterized by the proverb "an emperor need not worry about marrying off his daughters" no longer exists.

—The students' enthusiasm for learning has started to drop, money-making has become a new focus of enthusiasm among students, and there are even anomalous cases of postgraduate students quitting school to engage in trade. In contrast, the number of registrants for a postgraduate entrance examination has dropped and in some fields of study, it is not uncommon for the number of registrants to be less than the number of students to be recruited.

—Sensing that "it is better to sweep the floors than to be intellectuals," some lecturers and professors have been forced to engage in trade or set up companies. Some young teachers have been even more blunt and asked to be transferred from schools. In a famous college of engineering, of the 56 young teachers assigned to work in the school after their graduation in 1987, 54 have explicitly expressed a desire to be transferred from the school.

Merely Stressing Increased Investment is not Going to Help Higher Education Escape from its Predicament

One view that people have is that the current depressing state of higher education is related to insufficient funds for education and the low salaries for teachers and increased investment in education and better teachers' salaries are called for.

Higher education is indeed short of funds. This is manifested in low pay for teachers and the condition that the schools are in, which are yet to be improved. As far as we know, in 1987 the average monthly pay of the workers and staff members of the 36 universities and colleges under the administration of the State Education Commission was 108 yuan. This is lower than the 1986 average monthly pay (about 110 yuan) of workers and staff members in all trades and professions that make up the national economy.

On the other hand, the increase in investment in education is restricted by the level of development of the national economy. In the short term, we cannot expect an increase in educational investment that people will be satisfied with. Educational economics proves that not only is the absolute amount of educational investment proportional to a country's level of economic development but its relative amount is also proportional in most cases. According to statistics on 45 countries compiled by the United Nations Educational, Scientific, and Cultural Organization, of the 19 countries whose per capita GNP was less than \$1,000 in 1980, educational investment as a proportion of the GNP in 1979 was between 1.5-2 percent in 7 countries, between 2.2-3.2 percent in 7 countries, and between 4.1-6.1 percent in 5 countries. Of the 11 countries whose per capita GNP was between \$1,500-2,000 in the same year, educational investment as a proportion of the GNP was between 3.3-4.4 percent in 8 countries; and, of the 15 countries whose per capita income was over \$2,500, the proportion of educational investment of the GNP was between 4.6-8.1 percent in

10 countries. In 1986 China's investment in education accounted for 3.08 percent of the GNP. Judging from most countries with the same level of economic development, this is an acceptable figure.

Many people use the FRG and Japan as examples to point out the need for increased investment in education. In truth, since 1978, the growth of educational investment in China has been more or less the same as that in the FRG and Japan in the period of economic rehabilitation and takeoff following World War II. From 1950 to 1957 the gross output value of the FRG rose by 9.57 times; over the same period its investment in education rose by 20.98 times, an annual average growth rate of 13.1 percent. From 1955 to 1980 Japan's national income rose by 25.54 times, an annual growth rate of 14 percent; over the same period its educational outlay rose by 36.65 times, an annual growth rate of 15.6 percent. From 1978 to 1986, China's state revenue grew at an annual rate of 9.7 percent; over the same period the state investment in capital construction grew at an annual rate of 11.3 percent, while investment in educational capital construction grew at an annual rate of 31 percent.

It appears that a mere increase in educational investment will in all likelihood not help higher education get out of its present distressing situation because we cannot expect a large increase in educational investment in the near future. Even if the educational investment should be increased, the amount distributed to higher education would also be limited. Compared with higher education, primary and secondary schools are in an even worse state!

If we take a broader view of the question of educational outlay, we shall perhaps learn something. Data shows that in recent years railway passenger volume has progressively increased by 10 percent annually while the passenger transport capability has only risen about 1.2 percent annually. Basically what we have is transport capacity of the 1950s trying to assume the burden of transport volume of the 1980s. Passenger trains are sometimes overloaded by over 150 percent. This shows that there is at least one industry which should receive the same attention as education in terms of investment.

Higher Education at Present Does not Meet the Needs of Reform and Opening Up

The depressing situation in higher education also is a result of problems within higher education itself and these problems may be the even deeper cause. In fact the current depressing state of higher education is a result of the failure of higher education to adapt itself to reform, to opening up, and to the further development of the commodity economy.

Since 1978, China's higher education has developed considerably and initially met society's demand for numbers of people trained. Moreover, higher education has also scored successes in such areas as adjusting the

disciplines offered, the proportion of undergraduate and postgraduate subjects, scientific research, improving school management, and increasing the numbers of teachers. Reforms in many aspects of higher education were launched and success was often attained. On the other hand, we should not overlook the fact that higher education is still unable to meet the many needs of economic and social development. Higher education cannot satisfactorily meet the needs of economic and political restructuring. This problem has become even more acute with the further progress of reforms and the further development of the commodity economy.

—The range of disciplines and proportion of undergraduate and postgraduate subjects are not suited to changes in the economic structure and the development of economic construction. A conspicuous problem is the failure of education for the training of professionals to meet the actual needs of society. Township and town enterprises, which have vigorously developed over the past few years, urgently need a large number of people with special training, particularly in those township and town enterprises with a relatively high production and operational level. According to statistics, last year there were on the average only 9 scientists and technicians for every 10,000 workers and staff members of township and town enterprises; there was on the average only one scientist or technician for every 159 township and town enterprises. These scientists and technicians also included some re-employed retired workers. The shortage of competent people has become an important factor restricting the development of township and town enterprises. However, according to 1986 statistics, there were only 165,000 graduates from colleges for professional training. They also include 74,000 graduates from teachers' training colleges. These numbers are far short of meeting the needs of society for professional school graduates. At present, the phenomenon of blindly expanding the scale of training "high-level" competent people in disregard for the actual needs of society are by no means rare. The fact that some famous universities find it difficult to place their graduates of their strongest subjects is in fact society's way of punishing this phenomenon.

—Management by multiple offices and barriers between different departments and regions have resulted in high investment and low efficiency in the running of schools. The 1,063 institutions of higher learning throughout the country are respectively subordinate to the State Education Commission, the other 57 ministries and commissions of the State Council, and 38 provinces, autonomous regions, municipalities, and cities with a separate listing in the state plan. The institutions of higher learning subordinate to local authorities are respectively managed by the local educational and administrative departments and other professional departments. This structure has resulted in the loss of control of the educational outlay at the macro level and rigid control at the micro level. The failure to use limited funds where it is needed most has made it impossible to ensure, under

present conditions, that the needs of society for competent people are met to the fullest extent. On the one hand, some institutions of higher learning, which have a good foundation, cannot develop properly due to lack of funds; on the other hand, to meet their own temporary need for competent people, some departments and localities have blindly set up universities or offered duplicate courses regardless of whether they have the qualifications. We have learned that about one-third of the institutions of higher learning throughout the country do not have the necessary qualifications to run schools, are short of qualified teachers, and cannot ensure the quality of education. Because they have one-sidedly stressed that specialties should be geared to the needs of departments and localities, the specialties offered are too elaborate and narrow, resulting in a low return. Experience has proven that it is advisable to annually enroll 60-90 students for each specialty. However, according to statistics of the past 2 years, an average of only 30-odd students were enrolled for each specialty in all universities throughout the country. On the one hand, we are short of funds; on the other hand, there is serious waste. This contradictory phenomenon cannot but cause people to ponder and deal with it seriously.

—"Discussing education for the sake of education" and pursuing close "self-perfection." What is education for? This question is far from being answered in higher education. The phenomenon of seeking the development and perfection of specialties without regard for society's needs is still fairly common. 1) They one-sidedly stress the need to train "high-level" personnel. According to the 1986 educational statistical data, the number of postgraduate students enrolled in engineering courses accounted for 15 percent of the total number of graduates in those courses that year. Some famous universities have even trained postgraduate students studying Legalist thought in the Spring and Autumn and the Warring States Period and the building of the legal system in the liberated areas. Finding it difficult to find placement for the postgraduate students whose specialties are not in keeping with the actual needs of society, some schools have to retain these students as teachers after graduation. However, this is only begins a new cycle of circulation people within the school system. 2) Specialties have been unduly narrowed on the pretext of stepping up the building of specialties. According to a member of the relevant authoritative body, the institutions of higher learning in many countries only offer an economic specialty but there are as many as 48 economic specialties in China. Some schools have even set up 4-5 financial specialties.

We Need to Highten the Sense of Urgency and Consciousness in the Reform of Higher Education

Speaking objectively, since 1985, educational reforms, especially the reform of higher education, have failed to make the expected headway. There are indeed various factors, including major student unrest on two occasions. But the economic reform and other reforms have not

accommodated themselves to the stagnating educational reforms. With irresistible momentum they call for and urge the synchronization of educational reforms. The difficulties encountered by some schools in finding placement for their graduates last fall can be regarded as the first signal issued by the society to higher education. Stagnation in higher education reform is an important reason affecting efforts to further achieve the strategic position of education.

Starting from the difficulty of placing graduates, higher education has, in light of the actual needs of society, considered and readjusted in an all-round way all the links in education, from the recruitment of students to the placement of graduates. We have begun to introduce competition to institutions of higher learning. The National Higher Educational Work Conference held last February has passed on the following information: It is necessary to further reform education's content and methods with the establishment of an effective mechanism, which can suit the needs of society for specialized personnel; to gradually reform the recruitment and graduate placement systems and to appropriately introduce competition to institutions of higher learning so as to improve the quality of instruction and stimulate the students' enthusiasm and motivation. Meanwhile, numerous measures, such as the reform of the recruitment and graduate placement systems, the reform of the management structure of the institutions of higher learning, the institution of paid service, and the implementation of the president responsibility system, have taken shape and have been put into effect one after another. Although reform of higher education seemed a little passive at the beginning and although it will still take a long time to launch and carry out reforms even further, we have nevertheless made progress. With the emergence of the depressing state we have mentioned on school campuses, there have also been something of a new atmosphere since last spring:

—The widespread launching of paid social services. The gates of the institutions of higher learning have been opened wider, the closed pattern of running schools have started to be discarded, and people have noted the prototype of a new educational mechanism closely linked with economic and social development; there is a three-in-one structure combining teaching, scientific research, and social practice.

—The students have started to show a new attitude of voluntary selection: Some practical courses are so favored by students that classrooms are always full when they are given in Beijing University and Fudan University. Social practice and the work-study program have attracted the attention of more students because these activities help develop their capabilities. People have reason to believe that with the introduction of the competition into institution of higher education, the old mechanism with the characteristics of "forcing students to study" will be replaced by a new mechanism with the characteristic of "students consciously wanting to study."

Apparently, there hasn't been just a low point in higher educational circles since last spring. People should calmly ponder the following questions: What has caused the less than satisfactory situation in higher education? What is the practical way to extricate ourselves from the depressing situation in higher education? What should we do to realize the strategic position of education? If there is a problem we should be concerned about, we should not allow the clamor for improvement of superficial things about higher education drown out our efforts and attention in the area of basic reform of the higher education system. Those in higher education should be on guard against this.

Jilin Branch of China Association for Promoting Democracy Meets

SK2006030188 Changchun Jilin Provincial Service in Mandarin 0930 GMT 19 Jun 88

[Text] The Second Jilin Provincial Congress of the China Association for promoting Democracy opened in Changchun on the afternoon of 19 June.

(Chen Rubin), presided over the congress; and (Pei Xinyun) delivered an opening speech. On behalf of the Jilin Provincial CPC Committee, Gu Changchun, deputy secretary of the provincial party committee, delivered a speech at the opening ceremony. In his speech, he fully affirmed the achievements scored by the provincial branch of the China Association for Promoting Democracy over the past few years. Having analyzed the excellent situation of our country and our province, he said: Education is of fundamental importance to the fulfillment of our great long-range mission. The provincial branch of the China Association for Promoting Democracy should take full advantage of its own superiority to

positively contribute to building the spiritual and material civilizations in our province. (Zheng Xiaojin), Standing Committee member of the Central Committee of the China Association for promoting Democracy, delivered a congratulatory speech to the congress on behalf of the Central Committee of the China Association for Promoting Democracy. Geng Yuelun, chairman of the provincial Revolutionary Committee of the Kuomintang, extended congratulations to the congress on behalf of the various democratic parties, industrial and commercial federations, and Taiwan compatriot fellowship parties of the province.

Among the leaders of the provincial party committee, the provincial Advisory Commission, the provincial People's Congress, the provincial government, and the provincial CPPCC Committee who were present at the opening ceremony were Huo Mingguang, Liu Yunzhao, Chen Hong, (Zhang Liming), Hui Liangyu, and Feng Ximing. Also present at the ceremony were comrades of official status in the democratic parties, industrial and commercial federations, and Taiwan compatriot fellowship parties of the province.

During the second provincial congress of the China Association for Promoting Democracy, delegates will study and implement the guidelines of the 13th CPC Congress, the first session of the Seventh NPC, the first session of the Seventh National CPPCC Committee, and the fifth provincial party congress; will listen to and examine the work report of the first provincial committee of the China Association for promoting Democracy; will elect the second provincial committee of the China Association for Promoting Democracy; and will elect delegates to the Sixth National Congress of the China Association for Promoting Democracy.

NATIONAL AFFAIRS, POLICY

Regulations for Enterprise Registration Given

OW1706052988 Beijing XINHUA Domestic Service in Chinese 0133 GMT 12 Jun 88

[Text] Beijing, 12 Jun (XINHUA)—Regulations on Registration of Enterprises as Legal Bodies in the PRC

Chapter I.

Article 1. The following regulations are formulated in accordance with the relevant provisions in the "General Rules of the Civil Law of the PRC" in order to establish a system to register enterprises as legal bodies, confirm their legal status, protect their legitimate rights and interests, crack down on illegal businesses, and safeguard social and economic order.

Article 2. The following enterprises meeting the requirements for legal bodies should register according to these regulations:

- (1) State-run enterprises;
- (2) collectively-run enterprises;
- (3) integrated enterprises;
- (4) Sino-foreign joint ventures, Sino-foreign cooperative ventures, and foreign-funded businesses in the PRC;
- (5) private enterprises; and
- (6) other enterprises required to register as legal bodies according to law.

Article 3. The legitimate rights and interests of enterprises which have applied for, and completed, the registration, with the approval of authority in charge, and have obtained the legal status and "business license of corporate body" shall be protected by the state laws.

Enterprises required to register, but failing to complete the registration with the approval of the authority in charge of the registration, should not engage in business activities.

Chapter II. Authority in Charge of Registration

Article 4. The authority in charge of the registration of enterprises as legal bodies (hereafter called authority in charge of the registration for short) is the State Administration for Industry and Commerce and local administration for industry and commerce at different levels. Authority in charge of the registration at various levels should perform the duties and functions without interference and under the guidance of the authority in charge of the registration at the higher level.

Article 5. Registration of national corporations, groups of enterprises, and export-import companies, which have been set up with the approval of the State Council or its authorized departments, should be approved by the State Administration for Industry and Commerce. Registration of Sino-foreign joint ventures, Sino-foreign cooperative ventures, and foreign-funded businesses should be approved by the State Administration for Industry and Commerce or its authorized local administration for industry and commerce.

Registration of seed (branch) companies of national corporations, and enterprises, groups of enterprises, and export-import companies, which have been set up with the approval of the provincial, autonomous regional, and municipal people's governments or their authorized departments, should be approved by the provincial, autonomous regional, or municipal administration for industry and commerce.

Registration of other enterprises should be approved by the local city or county (district) administration for industry and commerce.

Article 6. Authority in charge of the registration at all levels should set up a system to record and compile statistics of the registration, to keep relevant basic information concerning registration of enterprises as legal bodies for the development of a planned commodity economy.

Authority in charge of the registration should, in accordance with the needs of society, periodically release the registration data to the public.

Chapter III. Conditions of Registration and Units Applying for Registration

Article 7. A unit applying for the registration of enterprise as a legal body should meet the following conditions:

- (1) It must have a title, organizational structure, and constitution.
- (2) It must be located at a fixed place and equipped with the necessary operational facilities.
- (3) It must possess the amount of capital and the number of employees required by government regulations and compatible with its production, operations, and service scale.
- (4) It must be able to assume civil liabilities independently.
- (5) It must operate its business within the scope prescribed by the state laws, statutes, and policies.

Article 8. Application for registration as a legal body should be made by the organizers of the enterprise.

Application for registration by an integrated enterprise assuming civil liabilities independently should be made by its organizers.

Chapter IV. Items To Be Registered

Article 9. Main items to be registered by the enterprise as a legal body: The name, premises, place of operation, legal representative, economic nature, scope of operations, methods of operation, registered capital, number of personnel, period of operations, and branches of the enterprise as a legal body.

Article 10. An enterprise as a legal body is allowed to use only one name. Its registered name shall be approved by the authorities in charge of registration. Once the name is approved for registration, the enterprise shall have the sole right to use that name.

Those applying for the establishment of Sino-foreign joint enterprises, Sino-foreign cooperative enterprises, and foreign-funded enterprises shall file applications for registration of the names of the enterprises with the authorities in charge of registration before their contracts and articles of association are approved.

Article 11. The legal representative of the enterprise approved by the authorities in charge of registration as a legal body shall be the signatory in exercising duties on behalf of the enterprise. A specimen signature of the legal representative shall be filed with the authorities in charge of registration for the record.

Article 12. The registered capital is the monetary expression of the property which the state gives the enterprise for operations and management as a legal body, or the property owned by the enterprise itself.

If the amount of capital registered by the enterprise as a legal body, when applying for registration of start of business, is different from its actual amount of capital, the case shall be dealt with according to the relevant special regulations of the state.

Article 13. The scope of operations of the enterprise as a legal body shall be compatible with its capital, place of operations, equipment, personnel, and technical manpower. In accordance with the relevant state regulations, it may take one trade as the main operation, while engaging in other lines of business. The enterprise shall operate as a legal body within the approved and registered scope of operations.

Chapter V. Registration for Start of Business

Article 14. To register for start of business, the enterprise as a legal body shall file an application with the authorities in charge of registration within 30 days of it having obtained approval to start business from its competent

department or other examining and approving authorities. When an enterprise, having no competent department or examining and approving authorities to give such approval, is applying for start of business, it should be examined by the authorities in charge of registration. The authorities in charge of registration shall, within 30 days after receiving the application for registration, make a decision to approve or deny the application.

Article 15. The following documents and certificates shall be submitted with the application for start-of-business registration by enterprise as a legal body:

- (1) Application for registration signed by responsible organizers of the enterprise;
- (2) document of approval from the competent department or examining and approving authorities;
- (3) articles of association;
- (4) certificate of financial credit, certificate of financial examination, or financial guarantee;
- (5) certificates of identity of the enterprise's principal responsible persons;
- (6) certificate for use of the premises and place of operation; and
- (7) Other related documents and certificates.

Article 16. After a unit applying for start-of-business registration for an enterprise as a legal body has obtained approval for such registration from the authorities in charge of registration and has been issued a "business license of corporate body," the enterprise shall be considered to be established. With the "business license of corporate body," it may own official seals, open bank accounts, sign contracts, and proceed with its business activities.

The authorities in charge of registration may give the enterprise as a legal body copies of the "business licenses of corporate body" to meet the latter's needs in developing its business.

Chapter VI. Change of Registration

Article 17. When the enterprise as a legal body changes its name, residence, place of operation, legal representative, economic nature, scope of operations, methods of operations, registered funds, or period of operations, and sets up new branches or closes down existing branches, it shall apply for change of registration.

Article 18. To apply for change of registration, the enterprise as a legal body shall file an application with the authorities in charge of registration within 30 days

after approval for the change in question has been obtained from its competent department or other examining and approving authorities concerned.

Article 19. When the enterprise as a legal body is divided into separate entities, is merged with others, or moves to another place, an application for change of registration, for start-of-business registration, or for deregistration shall be filed with the authorities in charge of registration within 30 days after approval for the division, merge, or moving has been obtained from the competent department or other examining and approval authorities concerned.

Chapter VII. Cancellation of Registration

Article 20. When an enterprise as legal body closes its business, is being canceled, declares bankruptcy, or for other reasons terminates its business operation, it shall nullify its registration with authorities in charge of registration.

Article 21. To nullify its registration, an enterprise as legal body shall hand in an application for registration cancellation signed by its legal representative, document of approval issued by competent departments or examining agency, and document that proves its debts have been paid off or one released by the liquidation group on its credit and debts. After giving its approval, the authorities in charge of registration will take back the enterprise's "business license of corporate body," copies of the license, and its official seal; and notify the banks where the enterprise opens accounts about the cancellation of its registration.

Article 22. An enterprise which does not open business for up to 6 months after receiving "the business license of corporate body" or suspends business operation for up to a year, shall be treated as if it were closed. Accordingly, authorities in charge of registration shall take back the enterprise's "business license of corporate body", copies of the license, and its official seal; and notify the banks where the enterprise opens accounts about the cancellation of its registration.

Chapter VIII. Public Announcement, Yearly Appraisal, and Management of Certificates and Licenses

Article 23. Enterprises' inauguration, change of name, and cancellations shall be announced by authorities in charge of registration in bulletins on enterprises registered as legal bodies. Without approval from authorities in charge of registration, other departments cannot issue bulletins on enterprises registered as legal bodies.

Article 24. A yearly appraisal system shall be implemented in administering registration of enterprises as legal bodies. Enterprises as legal bodies shall follow the time table set by authorities in charge of registration in submitting an annual appraisal report, a funds balance

sheet, or a statement of assets and liabilities. Authorities in charge of registration shall review the major items regarding registration of enterprises as legal bodies.

Article 25. The "business license of corporate body," issued by authorities in charge of registration is the proof of an enterprise as a legal body. Except for authorities in charge of registration, which can withhold and revoke the "business license of corporate body" in accordance with legal procedures, no other departments or individuals can withdraw, revoke, or destroy the license.

An enterprise as legal body which loses the "business license of corporate body" and its copies must make a public announcement in the newspaper before it can apply for reissuance of the license.

It is forbidden to forge, alter, rent, lend, transfer, sell, or duplicate without approval the "business license of corporate body" and its copies.

Article 26. An enterprise as a legal body has to pay registration and yearly appraisal fees in accordance with regulations to be able to register for starting business, modifying its registration, and undergoing yearly review. The start-of-business registration fee is one-thousandth of the total registered funds; for registered funds exceeding 10 million yuan, one-two thousandths of the amount exceeding 10 million yuan shall be assessed as registration fees; for registered funds exceeding 100 million yuan, there will be no extra fees charged for the amount above 100 million yuan. The minimum registration fee is 50 yuan. Fees for modifying registration and yearly appraisal are determined by the State Administration for Industry and Commerce.

Chapter IX. Registration of Institutions and Scientific and Technological Mass Organizations Engaged in Business Operations.

Article 27. If an enterprise with qualifications of a legal body is established by institutions or scientific and technological public organizations, it shall be the enterprise applying for its registration. The enterprise cannot begin business operation until authorities in charge of registration approve its registration and issue the "business license of corporate body."

Article 28. Institutions and scientific and technological public organizations which operate as enterprises according to state regulations, no longer receive funds from the state, and are qualified to be legal bodies can engage in business operation only after their registrations are approved by authorities in charge of registration and are issued the "business license of corporate body."

Chapter X. Supervision and Control

Article 29. The authorities in charge of registration shall, according to law, exercise the following supervisory and control functions over enterprises as legal bodies:

(1) To supervise enterprises as legal bodies in making start-of-business registration, change of registration, and deregistration;

(2) To supervise enterprises as legal bodies in conducting business activities in accordance with their registration and on the basis of their articles of association and the contracts they have signed;

(3) To supervise enterprises as legal bodies and their legal representatives in abiding by the laws, regulations, and policies of the state; and

(4) To check, investigate, and deal with unlawful operations conducted by enterprises as legal bodies and to protect their legitimate rights and interests.

Article 30. If an enterprise as a legal body commits any one of the following acts, the authorities in charge of registration may punish it by giving a warning, imposing a penalty, confiscating its illegal earnings, suspending its operations for rectification, withholding certain payments, or revoking its "business license of corporate body" as warranted by the case:

(1) Covering up true facts or resorting to deception in registering or starting business without properly approved registration;

(2) Arbitrarily changing the main items registered or conducting business beyond the registered scope of operations;

(3) Failing to deregister or to submit annual reports and follow annual reporting procedures as required by related regulations;

(4) Forging, tampering with, renting out, lending, transferring, selling, or arbitrarily reproducing the "business license of corporate body" or the copy thereof;

(5) Spiriting money away or transferring funds and hiding property to dodge creditors; or

(6) Conducting illegal operations.

When punishing an enterprise as a legal body pursuant to the aforementioned provisions, it is necessary to determine the administrative and economic responsibilities of its legal representative according to the seriousness of the unlawful activities. If the criminal law has been violated, the judicial organ shall determine the criminal liability according to law.

Article 31. In dealing with unlawful activities of an enterprise as a legal body, the authorities in charge of registration shall look into and make clear the facts and handle the case according to law. They shall notify the persons concerned of the decision on the handling of the case in writing.

Article 32. If an enterprise as a legal body refuses to accept the punishment imposed by the authorities in charge of registration, it may, within 15 days after receiving the notification of punishment, appeal to the authorities in charge of registration at the next higher level for reexamination. The authorities in charge of registration at the next higher level shall make a decision on reexamination within 30 days after receiving the appeal. If the enterprise filing the appeal refuses to accept the decision on reexamination, it may file a suit with the local People's Court within 30 days after receiving the notification of reexamination. If the enterprise fails to file an appeal within the prescribed time and refuses to pay the penalty or hand over the confiscated money, the authorities in charge of registration may, according to the established procedures, notify its bank to transfer the money from its account to fulfill the obligation.

Article 33. When the "business license of corporate body" issued to an enterprise as a legal body is revoked, the authorities in charge of registration shall also confiscate its official seals and notify its bank of the fact of deregistration. Its competent department or the liquidation organization shall be responsible for handling its financial claims and debts.

Article 34. If personnel of competent departments, examining and approving authorities, and authorities in charge of registration viol the provisions of these regulations, seriously neglect their duties, misuse their functions and powers, engage in malpractice for selfish ends, ask and receive bribes, or infringe upon the legitimate rights and interests of enterprises as legal bodies, they shall be given disciplinary sanctions and economic penalties in line with the seriousness of their case. Those who violate the criminal law shall be subject to investigation by the judicial organ to determine their criminal liabilities according to law.

Chapter XI. Supplementary Provisions

Article 35. When an enterprises as a legal body sets up a branch incapable of assuming civil liability on its own, the enterprise shall apply for registration on its part, obtain a "business license" after being approved by the authorities in charge of registration, and carry out its operations within the approved scope and as registered.

When a state-funded institution or a public scientific and technological organization wants to, in accordance with relevant state regulations, engage in business operations or set up an enterprise not qualified as a legal body, it shall apply for registration, obtain a "business license" after being approved by the authorities in charge of registration, and carry out its operations within the approved scope and as registered.

Specific registration and administration matters shall be handled in accordance with the provisions of these regulations.

Article 36. New enterprises that are approved by the relevant State Council authorities or planning departments at different levels and have been in preparation for a year or more shall make preparatory registration in accordance with special provisions.

Article 37. Enterprises that are qualified as legal bodies and have already registered as such with the authorities in charge of registration before these regulations become effective are not required to register again.

Article 38. The right to interpret these regulations resides in the State Administration for Industry and Commerce. Rules for the implementation of these regulations shall be formulated by the State Administration for Industry and Commerce.

Article 39. These regulations shall go into effect on 1 July 1988. The "Procedures for the Registration and Administration of Chinese-Foreign Joint Enterprises" promulgated by the State Council on 26 July 1980, the "Regulations on the Registration and Administration of Industrial and Commercial Enterprises" promulgated by the State Council on 9 August 1982, and the "Interim Regulations on the Registration and Administration of Companies" approved by the State Council on 14 August 1985 and promulgated by the State Administration for Industry and Commerce on 25 August 1985 shall be annulled on the same date.

National Meeting on Contract System Closes
OW2306120088 Beijing XINHUA Domestic Service in Chinese 1440 GMT 19 Jun 88

[By Reporters Zhao Yuqing and Gao Xin]

[Text] Changchun, 19 Jun (XINHUA)—It is presently necessary to closely seize the favorable opportunity to perfect the enterprises' operations contracted responsibility system and increase their economic results so as to create a good environment for the next step price and wage reforms. This was called for by the National Seminar on the Theory and Practice of the Contract System which closed in Changchun today.

The seminar was jointly sponsored by the China Research Institute on Restructuring Economic System, the Chinese Federation of Economics Societies and the Economic Department of the RENMIN RIBAO as well as the Jilin Provincial Commission for Restructuring Economic System, the Provincial Economic Technology Research Center and the Provincial Federation of Economics Societies. It opened on 15 June and more than 300 experts, scholars and entrepreneurs attended the seminar.

The seminar focused its study and discussion on the perfection of the enterprises' contract system, the relations between the contract system and the reform of the price and wage structure and the linkup between the perfection and the reforms.

Many experts and scholars hold that remarkable results have been achieved in the past year in popularizing the contract system among all enterprises throughout the country, a system that has grown on the basis of practice in China. Recently, the Central Authorities called for a good effort to resolve the price and wage problems which cannot be avoided when carrying out reforms. This sets a new task for the reform of the enterprises. Enterprise reform and price and wage reform share one common overall goal. They supplement each other and alternately promote each other. Enterprise reform can create a good condition of flexibility for price reform. And only when price reform is successfully accomplished will there be a market environment of equal competition in which the enterprises will be able to realize true independence and truly become accountable for their own profits or losses.

Participants in the seminar hold that it is necessary to use the momentum of price reform to push enterprise reform still further, promote the growth of product market and essential materials market and realize an all-round in-depth development of the reform of the economic structure. At present, reform emphasis should be laid in the following three areas:

—Perfect the contract system of the enterprises. Start from perfecting the contracting procedures by reducing excessive contract indexes and giving still great decision power to the enterprises. Take a step further to popularize competition for contracted jobs and perfect the selection and evaluation of and supervision over the contractors.

—Enhance the enterprises' capability to cope with changes. It is necessary to make the enterprises able to adapt to the drastic changes on the market and make timely adjustments in accordance with such changes. Encourage the enterprises to merge with each other, promote the establishment of enterprise groups, establish the mechanism needed for screening out backward enterprises and encourage regrouping of the enterprises so that the enterprises will be able independently to absorb or eliminate surplus personnel and raise own funds. Moreover, by adopting various other forms of reform, particularly by reforming the share-holding system, encourage the diversion of individual incomes toward investment and establish a number of social organizations that can share some of the risks and create readjustment conditions for the contracted enterprises so as to help them meet and overcome the impact from market changes.

—In coordination with price reform, promote market growth by pushing an all-round in-depth development of the reforms in various areas. It is necessary to speed up the reform in the circulation sphere, break any market monopoly, intensify competition, strictly enforce the contracts and gradually promote balanced market development, take necessary macroeconomic control measures, change the current policy of negative rate of interest and suppress the total demand so as to ensure a successful development of price reform.

The experts and scholars also made specific policy proposals on ushering in price reform on the basis of the practice of contract system and realizing a structural change.

Committee Advocates Reducing Infrastructure Investment by Three Billion Yuan

40060332B Beijing JINGJI RIBAO in Chinese
1 Jun 88 p 1

[Article by Guo Zhongyi [6753 0112 5030]]

[Text] The 6th standing committee session of the State Council has decided to stop or postpone 33 infrastructure projects in the Beijing area. According to a rough calculation of the planned investment in infrastructure made by the Beijing Municipal Planning Department, investment in infrastructure can be reduced by 3 billion yuan.

Among the 24 projects stopped and the 9 projects postponed, there are both Chinese-foreign joint venture construction and domestically funded construction.

Because the design standards are different, the amount of the investment varies. The 10 Chinese-foreign joint venture projects that were stopped or postponed altogether cover a construction area of 635,000 square meters. The design standard and construction cost of this kind of project is usually higher than the average. Each square meter of investment costs about \$1,000. There are 23 domestically funded projects which were stopped or postponed, with a total construction area of 515,000 square meters. Each square meter of investment requires approximately 1,000 yuan. Therefore, by stopping or delaying 33 projects, the total reduction of investment in building construction can reach as much as 3 billion yuan.

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Price Index of 29 Cities Released

HK0107104988 Beijing CEI Database in English
1 Jul 88

[Text] Beijing (CEI)—Following is a chart of price index and index of living costs in 29 big and medium cities in April 1988, released by CSICSC [expansion unknown].

City	Price Index of Retail Sales of Whole Society	Price Index of Living Expenses of Employees	Including: Price Index of Services
Beijing	112.2	111.5	104.8
Tianjin	110.2	109.7	102.0
Shijiazhuang	109.8	109.5	106.3
Taiyuan	114.6	113.6	101.9
Hohhot	111.5	111.0	105.0
Shenyang	108.8	108.2	102.3
Changchun	112.5	113.6	125.9
Harbin	110.2	109.7	103.9
Shanghai	113.4	113.4	113.2
Nanjing	120.8	119.2	101.2
Hangzhou	119.3	117.8	100.7
Hefei	116.8	115.5	102.1
Fuzhou	121.7	120.0	103.8
Nanchang	121.2	120.0	107.1
Jinan	111.6	110.9	100.9
Zhengzhou	114.6	114.2	110.0
Wuhan	117.7	116.4	101.9
Changsha	118.4	117.4	106.5
Guangzhou	120.0	118.2	103.4
Nanning	117.1	116.8	113.4
Chongqing	112.6	112.3	109.6
Chengdu	117.7	116.5	105.3
Guiyang	112.2	111.4	102.6
Kunming	115.9	115.0	107.2
Xian	114.8	114.9	115.5
Lanzhou	118.8	118.1	110.9
Xining	110.1	109.7	105.3
Yinchuan	110.0	109.7	106.2
Urumqi	113.9	112.5	100.1

Light Industry Ministry Changes Structure
OW0107131688 Beijing XINHUA in English
1216 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—China's Ministry of Light Industry is streamlining its operations. The number of departments is being trimmed from 20 to 15 and the staff is being reduced by a third, from 936 to 570, a ministry official said. The ministry, which deals with 44 trades and industries, intends to professionalize its administration and management.

It is eliminating or reorganizing most of its specialized departments and is setting up 30 professional associations to help the government manage various trades and industries.

The ministry will also establish a light industry strategy research center and a new technological research and development center.

The centers will also take over some of the functions of the administrative departments.

Paper Calls for Real Estate Market
OW3006002888 Beijing XINHUA in English
1207 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)—The real estate business, as a pillar of the national economy, will not develop and may affect other economic sectors if it is not adjusted to current reform trends, the Beijing-based newspaper "ECONOMIC INFORMATION" says.

In a signed article, the paper said that reform of the real estate business system should ensure that user pay for land. In addition, a market for real estate must be established and developed.

Some cities have begun to collect payments for the use of land. In Shenzhen of Guangdong Province, and Fuzhou of Fujian province, the right of the use of land was even auctioned.

The development of the real estate business will invigorate the land market. As an integral part of the whole market, it will surely be helpful for the national economy.

Through the land market, the state may allow more profitable and competitive companies to exploit an area.

Besides, the state should specify different prices for the use of different areas of land so that the right of using profitable land may be purchased by good companies to make more money. And the gap between needs and demands can be avoided.

Different grades of rents should be imposed so that only profitable companies can afford precious areas. Consequently, the land can be used more effectively.

Because of low rents for housing in China, people are unwilling to buy houses and would rather spend their money on other commodities. Reform of housing may absorb some of their expenses so as to ease tension in the whole national market.

Although the introduction of the market mechanism in the real estate business may stimulate the national economy, the article warned that land speculation must be prevented.

The change in prices of real estate is closely related to overall prices in the country. The prices for the use of land may affect national production and construction. Moreover, the prices of housing may play a role in national finances and people's living standards. So the article also warned that the state must be cautious in reform.

Shanxi Plan for Economic Development
HK2906073788 Taiyuan SHANXI RIBAO in Chinese
4 Jun 88 pp 1, 2

[Report: "Provincial Party Committee Draws Up Plan For Speeding Up the Province's Economic Development" Passages in boldface as published.]

[Text] At a work conference of the provincial party committee, the comrades present enthusiastically discussed and unanimously affirmed a plan "seize the opportunity of instituting the coastal strategy and step up Shanxi's economic development" proposed by the provincial party committee. This plan is divided into four parts, namely, the opportunities and challenges brought about by the institution of the coastal economic development strategy; further emancipate the mind and update the concepts; institute the coastal development strategy and promote our province's economic development; policies and measures.

The Opportunities and Challenges Brought About by the Institution of the Coastal Strategy

In the first part, the opportunities and challenges which have been brought to our province by the institution of the coastal strategy are analyzed in a concentrated way. The plan holds: **The opportunities brought about by the coastal strategy will help us give play to the strong points, circumvent the weak points, and turning the weak into strong points.** There are mainly the following aspects:

1. With the rapid development of the coastal economy, the need for our province's main resources is not reduced but has increased. This has provided a unprecedented good opportunity to give play to the strong points of our province's resources richly endowed by nature. We must make full use of this opportunity to do a good job in the

development, utilization, processing, and transformation of our province's resources so as to turn them into the important material conditions for carrying out exchange of commodities and developing lateral ties with the coastal areas.

2. The development of the export-oriented economy in the coastal areas has brought a good opportunity for our province to accept the shift of some industries and technology. Shanxi is situated in the economic belt in the central part of our country. This geographical position, together with abundant resources, relatively good foundation in heavy industry, vast mountain areas, is suitable to the development of forestry and animal husbandry. While accepting the shift of certain industries and technology, we have completely bright prospects. In the course of inheriting from the east and enlightening the west, we can develop and strengthen ourselves. This has provided convenient conditions for readjusting our province's industry mix, making the mix rational and high-grade, and realizing the rational flow of the elements of production and betterment of combination.

3. As the coastal areas further open to the outside world and combine the import of advanced technology with internal economic associations, this will promote our province's opening up in all directions, break the setup of the natural economy and closed-type economy, enable our province's commodities to vigorously participate in domestic and international exchanges and competition, and enhance the grades and level in the course of competition.

4. The institution of the coastal strategy will urge us to give play to the latent strong points of the heavy industry, to speed up the merger of the machine-building and electronics industry into an organic whole, and to take the lead in shifting from the export of labor-intensive products to the export of capital-intensive and technology-intensive products in the future. We must have strategic foresight and from now on, show concern for and start with the development of the processing industry. We must especially work hard to turn machine-building and electronics industry into an organic whole. In doing so, we can possibly change the latent strong points to realistic strong points.

The stern challenges brought about to us by the coastal development strategy have also made our weak points more noticeable and compelled us to fight and struggle desperately. These are mainly:

1. In the course of shifting to the export-oriented economy, the coastal areas have speeded up reform and opening up and their economic development will be quicker. Our fraternal provinces and cities in the interior are also making use of the opportunity of instituting the coastal strategy to speed up their work and this will make Shanxi, which has few pillar industries, backward agriculture and light industry, and little ability to meet an emergency, face a test of "forging ahead or being driven

back." This will most possibly further widen the gap between our province and the coastal areas and even our fraternal provinces and cities in the interior in the speed of development.

2. The processing industry of the coastal areas will further develop and their technological level will be further raised. Our province has regarded the development of its resources and heavy industry as the main industries and its processing industry and light and textile industries are few and relatively backward. Under the circumstances of the present irrational price system, such a setup certainly will make our economic results drop considerably when compared with the coastal areas. Moreover, our weak points, including our low enterprise management level, our old equipment and technology, and the low quality and grade of our products, will make such a situation even more apparent.

3. In connection with the above-mentioned two points and in the wake of economic development, the income and consumption level of the urban and rural residents of the coastal areas will be raised even higher and the difference between our province and them is likely to be widened continuously.

4. The coastal areas have further relaxed their policies and further improved their economic and social environment and this will result in the drain of the qualified personnel, capital, and materials of our province. All this will likely aggravate the difficulties of the economic work of our province and frictions in the change from the old to new structure. These disadvantageous factors have appeared in our economic life. Such a situation will surely draw our great attention.

The opportunities coexist with the challenges and the hopes coexist with the difficulties. The opportunities are rare and transient. We must have a sufficient sense of crisis and sense of urgency and in the course of instituting the coastal development strategy, firmly seize the opportunities, and bravely greet the challenges. As Comrade Deng Xiaoping pointed out, we must boldly work, accelerate our pace, and under no circumstances bungle an opportunity.

Further Emancipate the Mind and Update the Concepts

The second part of the "plan" considers that to suit the coastal development strategy and to speed up our province's economic development, it is necessary to get rid of the shackles on all ideologies and concepts. Party and government leaders at all levels throughout our province must regard emancipating the mind and updating the concepts as a major task and grasp it firmly and well. In conjunction with penetrating study of the documents of the 13th CPC National Congress, leading cadres at all levels must sum up experiences and lessons. They must first emancipate their own minds and go deep into the cadres and the masses. They must conduct education in emancipating the mind and updating the concepts in the

whole province from the upper to lower levels and unfold discussion on the criterion of the productive forces. In the course of education, it is essential to lay stress on solving the following several problems well.

1. It is imperative to eliminate the closed conservative concepts and to establish a sense of crisis and a sense of urgency. Since the 3D Plenary Session of the 11th CPC Central Committee, the upper and lower levels throughout our province have made very great efforts in the course of reform and construction and scored very great achievements. The political and economic situation of our province is the best in history. However, due to the fact that the mind is not emancipated enough and the method is not sufficiently effective, we are still backward in some aspects. Our comrades must be good at conducting horizontal comparison and looking forward. Through comparison, we can know ourselves and the others, foster the strong points, circumvent the weak points, find out the difference, define the orientation, and kindle the cadres' and the masses' sense of urgency and sense of mission to invigorate Shanxi's economy.

2. It is necessary to eliminate the malpractice that each does things in his own way, get rid of a note of complaint, advocate unity and tacit understanding, and go all out to make our country strong. The state of the ideology and concepts lagging behind the situation of reform and opening up is by no means limited to any level or any part of people in our province. The upper and lower levels throughout our province, particularly the leading comrades at all levels and of all departments, must do this work themselves and seriously find out the difference in concept and action. Through multiform, many-channelled, and multilevel dialogues, we must exchange views and understand each other so that all cadres and the masses can unify their thinking, achieve unity and tacit understanding, and actively plunge into the powerful current of reform and opening up of the times and into the great practice of invigorating Shanxi and enriching the people.

3. It is essential to eliminate the ideas of "waiting, relying" in the issue of policy, to advocate "flexibility and adaptation," and to "be bold in going ahead of the other people." We must change the passive attitude, such as indiscriminately implementing the upper-level stipulations in all matters and awaiting a "red letter-headed document." We must learn from the experiences of the coastal provinces, municipalities, and cities and ensure that all existing policies are applied well, in a lively way, and sufficiently; be bold in creating and doing things first not yet provided by any policies and score achievements to strive for the upper-level approval; and boldly make adaptation of the provisions of the policies which do not conform to the practical situation at the time and in the localities. The political and legal departments, party discipline inspection departments, government supervisory organs, and comprehensive economic departments must vigorously participate in reform, understand and grasp the spirit and essence of the party's principles and

policies, practically and realistically handle the problems in the economic work, and correctly apply the legal and disciplinary weapons to protect reform and opening up but not do otherwise. It is necessary to especially protect the entrepreneurs who are determined to carry out reform and to bravely make progress and the advanced figures in all quarters. We must not indiscriminately interfere in the economic work. People are allowed to do or to do on an experimental basis things so long as these things are beneficial to the development of the productive forces, unless otherwise expressly prohibited by the law and discipline.

4. It is imperative to get rid of the concepts of the product economy and natural economy and to further establish the concept of the planned commodity economy, such as the concept of laying emphasis only on support and contribution but not on equal exchange and self-benefit; the concept of laying stress only on striving for investment, starting projects, and doing things on a large scale but not on the benefit from science, technology, and management; the concept of attaching importance only to the large and medium-sized enterprises, heavy industry, and enterprises under ownership by the whole people only but underestimating the small enterprises, light industry, enterprises under collective ownership and private enterprises, particularly township and town enterprises; the concept of being accustomed to the monopoly of supply and sales but unwilling to participate in market competition; the concept of becoming inured to the formation of one's own system to the neglect of the large-scale economy and specialized cooperation; the concept of looking forward to a guaranteed harvest irrespective of drought and floods but fearing dangers; the concept of sitting idle and eating the "imperial grain" but being unwilling to improve oneself and stand on one's own feet; the concept of being content with being comparatively well off and being contented in poverty and devoted to things spiritual; the concept of egalitarianism, being afraid of widening the gap between the poor and the rich, and producing polarization; and so on.

5. It is essential to get rid of such misgivings as being afraid of making mistakes and fearing dangers and reproach and to establish the spirit of struggling harder and harder through defeat and forging ahead bravely. Reform and opening up is a brand-new cause and making a slip and a mistake is unavoidable; the commodity economy is full of competition and taking risks and suffering setbacks is also unavoidable. If we put "fear" before everything else, we shall accomplish nothing. In the event of something, some of our comrades glance right and left and are afraid to advance; when they carry out reform, they are afraid of making mistakes and when they think about blazing new trails, they fear that people might lodge a complaint against them with their superiors; when they run enterprises or do business, they are afraid of losses; when they go in for contracts, they dare not take more remuneration according to the contract; when they think about raising a loan to run an

enterprise, they fear that they will not be able to afford the interest; when they want to have their wages suspended and posts retained for the purpose of contracting for the operation of an enterprise, they are afraid of losing their iron rice bowl and iron chair. After a mistake is made, it will be all right if it is corrected; after a battle is lost, forces can be rallied to have a showdown. As for the various misgivings like the worries about personal gains and losses, we must ignore them. As the opportunity is rare, it is important to struggle hard. So long as we forge ahead bravely, we can achieve economic development first. Leaders at all levels and the comrades of all departments must be bold in breaking all outmoded conventions and bad customs and work bravely. They must not hesitate and bungle the opportunity. In the event of a mistake in their work, they must be bold in undertaking responsibility, they must support their lower levels and boost their lower levels' courage. They must be good at summing up experiences and lessons.

Emancipating the mind and updating the concepts is, in the final analysis, to firmly establish the basic concept of doing everything to develop the productive forces. All principles and policies can be adopted and all methods and ways can be used so long as they are beneficial to the development of the productive forces. So long as we develop the productive forces, this means that we do our best to keep in line with the central authorities. With this basic concept, we can eliminate all misgivings and further speed up reform and opening up.

Institute the Coastal Development Strategy and Promote Our Province's Economic Development

The "plan" affirms that our province's economic and social development strategy is correct. Moreover, it points out that corresponding readjustment and perfection should be carried out. The principle for instituting the coastal development strategy and promoting our province's economic development is: **On the basis of our province's strong points, we must further open up in an all-round way, regard enhancing benefit and earning foreign exchange through export as the main target, develop lateral ties between us and the coastal areas and the provinces and cities in the interior, vigorously participate in domestic and international competition and exchange, and promote reform, readjustment, and construction and speed up economic development with opening up.**

To implement the above-mentioned principle, we must do well in grasping the following several aspects of work in the near future:

1. We must grasp the key trades and readjust the industry mix and product mix. Shanxi's industry mix is a heavy structure with energy and raw material industries as the main body. This structure has been built on the foundation of the state demand on energy, regional strong points of resources, our province's traditional industries, conforms to the principle of the strong points of the comparative economy, and meet the need of layout of

the productive forces throughout the country. However, it appears to be obviously insufficient in some aspects in the course of economic operation and the main reason is that we have gone in for the pillar industry alone and have had the primary product mix and low-level technological structure. Such a situation has resulted in the insufficiently firm integration of energy base building and coordinated economic development and in inability to advance in achieving the target of both serving the whole country and invigorating Shanxi and enriching the people. In view of this, it is necessary to speed up the readjustment of the industry mix and product mix.

The principle for readjusting our province's industry mix in the near future is: It is essential to link the development course of the resources with that of the market, to continuously give play to the strong points of the resources, to build the energy base well, and to promote the appreciation of the energy and raw material processing. It is necessary to vigorously develop agriculture and consumer goods industries, to develop the nonferrous metal, metallurgical, mechanical, electrical, and building material industries, to promote the diversified development of the pillar industry, and to develop the high technological industry accordingly. Through readjustment, it is imperative to gradually rationalize the relations among agriculture and light and heavy industries. The way of readjustment is: It is necessary to grasp the key trades and key products, to adopt the correct measures to give support, to step up technological transformation in the existing enterprises, to develop specialized cooperation, and to quickly make a number of relatively competitive fist products. At the same time, it is essential to develop the basic facilities of communications, transport, posts, and telecommunications correspondingly. We must strive to further rationalize the industry mix of our province and score even better economic results in 3 to 5 years so that the people can get more material benefit.

While readjusting the structure, 1) we must continuously step up energy base building, steadily increase the output of coal, especially strengthen the management, transport, and marketing of coal, and vigorously develop the processing and transformation of coal; 2) we must expand the sphere for the production of the raw material industry and develop processing in depth; 3) we must speed up the transformation and development of the machine-building and electronics industries.

2. We must give priority to the development of the electric power industry. Lack of electricity in the energy bases has become a salient weak link which restricts our province's economic development. It is necessary to regard the electric power industry as the advance industry and to give priority to it. It is imperative to fully tap the productive potentialities of the existing power plants and to use electricity in a planned and thrifty way. We must adhere to the principle that large, medium-sized, and small power plants must develop simultaneously and the state, localities, and collectives must run power

plants at the same time. We must try in every possible way to raise funds to run power plants and absorb capital from the coastal areas and abroad to jointly run power plants.

3. We must really increase input to speed up the development of our province's consumer goods industries. In the industry mix of Shanxi, the ratio between the light and heavy industries is now 28:72. The proportion of the light industry is too small and tends to drop further. Light industrial input is little and output much and light industry is closely bound up with the people's livelihood. Light industrial development is relatively stagnant and it affects both the enhancement of the whole province's economic results and the improvement of the people's livelihood. The consumer goods industries of our province must, therefore, greatly develop. 1) In the light of realities, we must try in every possible way to develop agriculture to earn foreign exchange. 2) We must import relatively advanced technology from the coastal areas and abroad and make a number of first products of good quality, numerous varieties, and high level. 3) We must vigorously develop the light and textile industries as part of the leading industries.

4. We must regard the development of the township and town enterprises as a strategic focal point to step up our province's economic development. The township and town enterprises are an important component part of the national economy and an important pillar of the rural economy, the significance of its development is important, and its prospects are brilliant. Under the premise of the enhancement of the economic results, we must speed up the development of the township and town enterprises. Over the past 3 to 5 years, the gross output value of the township and town enterprises of our province has increased by not less than 15 percent a year. By 1990, we must strive to increase the gross output value of the township and town enterprises throughout our province to 16.5 billion yuan and the foreign exchange from export to more than \$100 million, an increase of 50 and 180 percent over 1987 respectively.

In the course of developing the township and town enterprises, we must gradually change the situation in the heavy type of industry and in the unitary variety of products. While stabilizing the development of the heavy industries, including the mining and metallurgy industries, we must, according to the local conditions, utilize the resources of all places to vigorously develop the consumer goods industries and the processing of the accessories of daily-use machines and domestic electrical products, vigorously develop the tertiary industries, including communications, transport, commercial service, and construction, and expand the export of services. We must firmly grasp the transformation of the processing work, further the depth and precision of processing, and change the situation in the primary products.

5. It is necessary to vigorously develop the urban collective economy and individual economy and to encourage the development of the urban and rural private economy. We must grasp the development of the urban collective enterprises as an important matter. To develop the urban collective economy, individual economy, and urban private economy, we must pay special attention to developing the tertiary industry, commerce, and all other kinds of services and changing the backward situation of the tertiary industry of our province in order to promote the development of the production and construction causes.

6. It is essential to draw up a good plan for development and to build the economic zones and economic development experimental zones with the characteristics of our province. 1) We must break the administrative division and build economic zones with various characteristics in our province. 2) We must speed up the building of the medium-sized and small cities and market towns and give play to the radiating and spurring functions of the cities. 3) We must build the economic development and cooperation zones and experimental zones with the characteristics of our province.

Policies and Measures

The "plan" points out: The key to instituting the coastal development strategy and promoting the economic development of our province lies in reform. We must guide the overall situation with reform, resolutely implement all principles and policies of the Central Authorities on reform and opening up, and strive to apply them well, in a lively way, and sufficiently. At the same time, in the light of the realities of Shanxi's economic development, we must formulate corresponding policies and measures.

1. It is necessary to reform the financial, monetary, and material structures, to build up financial resources, to use capital in a lively way, and to enliven the circulation of the materials. The financial departments at all levels of our province must vigorously implement the contract system and further deepen the reform of the financial structure. It is imperative to set up the funds respectively for earning foreign exchange through export and developing the light and textile industries and township and town enterprises. It is necessary to further develop the material trading center, specialized market, and old goods market and to gradually establish the network of the open and competitive markets for the means of production.

2. It is essential to reform the structures of foreign trade and foreign economic relations and to further open to the outside world. A provincial foreign economic work leadership group is to be set up so that the examination and approval work can be done with "one pen," foreign work can be done by "one window," and "coordinated" service can be provided. The formalities must be simplified and efficiency raised.

The contract system must be implemented in the export business, the "soft environment" and "hard environment" for investment must be vigorously improved, and foreign businessmen must be further attracted to Shanxi to invest in factories.

3. It is imperative to deepen reform and to further invigorate the enterprises. While seriously enforcing the "enterprise law" and perfecting the enterprise contracted management responsibility system, we must further explore the experience in invigorating the enterprises. We must implement special policies toward the enterprise groups, large and medium-sized enterprises, and agriculture (animal husbandry), industry, and commerce joint companies which have important effect on our province's economy. We must further deepen the internal coordinated reform of the enterprises, strengthen enterprise management, and speed up the modernization of enterprise management. We must enliven the enterprises' purchase and sales links and universally implement the purchase and sales contract system. We must vigorously and prudently carry out reform of ownership, shift investment to enterprises, and promote the varied forms of ownership.

4. It is necessary to vigorously develop the township and town enterprises and urban collective enterprises and to encourage the development of the urban and rural individual and private economy. We must solve through many channels the problems of the capital for the development of the township and town enterprises and urban collective enterprises and strengthen the enterprises' self-accumulation and self-development ability. We must support the development of the individual economy and private economy. It is essential to establish the relations between the state-owned enterprises, scientific and technological units, and universities and colleges and township and town enterprises in terms of support with remuneration and to support the development of the township and town enterprises. The township government shall not indiscriminately apportion expenses and charges from the enterprises.

5. It is imperative to vigorously develop many forms of lateral economic ties. We must regard our province's large and medium-sized enterprises as the backbone elements, fist products and good quality and famous brand products as the main items, and the promotion of the combination of the production and scientific research and production and domestic and foreign trade units as the focal point and organize a large number of enterprise groups which span different regions, different departments, and different forms of ownership. We must adopt preferential policies to attract our fraternal provinces, municipalities, and cities to exploit Shanxi's resources with us, develop processing in depth, and distribute the products according to the investment ratio.

6. It is essential to speed up scientific and technological progress and to attach importance to the development of the qualified personnel. We must increase scientific and

technological input, adhere to the principle of "invigorating the enterprises with science and technology" and "invigorating the province with science and technology," actively import and popularize the domestic and foreign advanced technology, and set a high demand on the transformation of the existing enterprises. We must encourage the scientific and technological personnel, enterprise management personnel, and party and government organ cadres to work hard to make many contributions toward economic development. While stepping up higher education, we must make efforts to grasp the cultural, technological, and education work well and improve the quality of the laborers in an all-round way. According to the principle of separating the functions of the government from those of the enterprises, the governments at all levels and departments in charge of the economic work must further change their functions, streamline administration, delegate the power, concentrate their energy on macrocontrol and coordination work, and serve the enterprises in a down-to-earth manner. They must change their work style, simplify the formalities, and enhance efficiency.

PROVINCIAL

Mayor Speaks on Shanghai's Development

OW0807130188 Shanghai City Service in Mandarin
2200 GMT 27 Jun 88

[Text] The party committee of the Shanghai Municipal Education Committee held a report meeting on current situation on 27 June. At the meeting which was held in the Fudan University, more than 1,000 people, including party and administrative responsible persons of colleges in Shanghai and the teachers and students of the Fudan University, listened to a comprehensive talk by Zhu Rongji, deputy secretary of the Shanghai Municipal Party Committee and mayor of Shanghai. Zhu Rongji called for developing Shanghai, making joint efforts to overcome difficulties, working in unity and cooperation, and starting by helping oneself.

Zhu Rongji said: I have brought with me here today a sincere desire to develop Shanghai. Comrades and students, I am here seeking your understanding, trust, and support. Let us make joint efforts to develop Shanghai.

His words won applause from the audience. Then Zhu Rongji expressed his views on Shanghai's current situation, difficulties, next year's reform, [word indistinct], education, and personnel training.

He said: The first thing done by the municipal government since the beginning of this year was to make great efforts with determination to develop production. Shanghai's industrial production increased by 8.5 percent in May, and the increase was a turning point in Shanghai's economic development. The second thing done was taking the increase of production and supply of nonstaple food as a breakthrough in work. Of the 300 meat, poultry, and egg production bases scheduled to

start operation this year, 250 have either been completed or have already started operation. In addition, we will soon publish a plan for reforming the nonstaple food purchase and marketing system, and the reform will further stabilize food supply to Shanghai residents. The third thing was further improving the investment environment, opening Shanghai wider to the outside world, and invigorating the economy. Our decision to ensure honesty and high working efficiency among government personnel is particularly welcomed by Shanghai residents. Since 9 May when we published reports on some cadres at and above the bureau level who took the lead in declining dinner invitations and gifts, 506 bureau-level cadres of the municipal government in the main have not accepted any dinner invitations and gifts.

He was convinced that the standards of social conduct will surely become better if the government and everyone in it take the lead in making the improvement.

After analyzing the causes for the rising commodity prices, Mayor Zhu Rongji said: The prices of some commodities are set by Shanghai, and they will remain unchanged this year.

On the prospects of next year's reform, Mayor Zhu Rongji expressed optimism. He said that Shanghai must train a large number of genuine entrepreneurs and the training is the task of higher education. According to him, the government will provide assistance to education, ensure a higher rate of increase in educational funds than the rate of increase in Shanghai's revenues, and ensure that Shanghai's educational funds rank first or are above average among all provinces, autonomous regions, and municipalities in China in terms of proportion in total government expenditure. The municipal government is considering the establishment of a production fund for institutions of higher learning to help them develop industries that integrate scientific research and production.

Zhu Rongji told the participants at the meeting: Shanghai is a place where people can utilize their talents and abilities. You are the part of the people whose thinking is the most active. I am sure that some of you will play a great role in the future. I hope that you will gain more scientific knowledge and work hard together for Shanghai's tomorrow.

FINANCE, BANKING

'No Plans at Present' To Devalue Currency
HK2206141388 Beijing CEI Database in English
22 Jun 88

[Text] Beijing (CEI)—China has no plans at present to devalue the renminbi (RMB) against major foreign currencies since it is expecting to reduce its foreign trade deficit this year, an exchange control official said here on June 21.

She said that exchange control for a long time played only a minor role in China's national economy since China was closed to the outside world. With the execution of the open policy and the reform of the price and foreign trade system, the overvalued Chinese currency (RMB) needed adjustment and more flexible policies were adopted.

The rate was adjusted to 2.79 RMB to the dollar in January 1985 and the rate has been 3.7 RMB to the dollar since July 5, 1986.

Bond Market Volume Up, Prices High
OW1706054688 Beijing XINHUA in English
0156 GMT 17 Jun 88

[Text] Beijing, June 17 (XINHUA)—The volume of transactions exceeded 300 million yuan in the first month after state bond markets opened in seven Chinese cities.

Most of the bonds were traded at prices higher than their face value, according to today's CHINA DAILY.

From 1981 to 1988, China issued a total of about 40 billion yuan worth of state bonds and they were non-transferable which gave rise to people's complaints of their "living money being turned into dead money".

On April 21 this year, state bond markets were officially opened in Shenyang, Shanghai, Chongqing, Wuhan, Harbin, Guangzhou and Shenzhen. The transferable bonds are only those sold to individuals in 1985 and 1986.

As expected, the paper said, far more people sold rather than bought the bonds at first. During the first three weeks, people at two of the three bond exchanges in Harbin, Heilongjiang Province, sold more than 2.3 Million yuan worth of bonds, but bought only one tenth that much.

The bonds sold much better in Shenyang, Liaoning Province. Many buyers bought 2,000 to 3,000 yuan worth of bonds thanks to high interest rates and the enhancement of what some Chinese economists call their "sense of finance".

The bonds issued in 1986 were sometimes even sold out there, said the paper.

The state bond market in Shanghai was the most stable of all the cities. Unexpectedly, many more people bought rather than sold bonds at the Jing'an Stock Exchange, the oldest and largest in Shanghai. The selling price kept rising, and the volume of transactions far exceeded that of other securities and stocks.

In all eight stock exchanges in the city involved in the state bonds transactions, people who bought second-hand state bonds were almost as many as those who sold them.

Such markets opened in another 54 cities on June 1, the paper said.

Banks Urged To Increase Interest Rates
OW3006132988 Beijing XINHUA in English
0533 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—Many of the economic problems troubling China will not be solved unless banks move to increase interest rates on both deposits and loans, said an article in "ECONOMIC DAILY."

By increasing the interest rates, the banks can help consumers better withstand inflation and enable the state to deal with such problems as excessive consumption, the sharp drop in bank deposits, a run on loans and making cutbacks in the money supply, the article predicted.

So far the interest rates offered by banks for depositors is 2.4 Percent for variable length deposits and 6-7 percent for fixed deposits. This contrasts to the first four months of this year which witnessed an 11 percent increase in the price index.

"In many localities, people have gone on buying sprees. They are unwilling to deposit their money in the banks and in a hurry to withdraw their savings," the article said.

This may be helpful for consumers to combat inflation, but from an overall view, the phenomenon has actually spurred inflation and panic buying. The current low interest rates offered by the banks constitute an important reason for this phenomenon.

The low interest rates have also made the financial situation a cause for more concern than before. "Now more money is seen flowing out of the banks than flowing in," the article said.

To solve the problems, it is necessary for the banks to increase interest rates to attract more deposits, alleviate the pressure on the market and check the rush for loans for investment purposes.

COMMERCE

Commerce Minister on Reforms in Circulation Sphere

OW2306175188 Beijing XINHUA Domestic Service in Chinese 0016 GMT 20 Jun 88

[By reporter Chen Yun]

[Text] Beijing, 20 Jun (XINHUA)—During a XINHUA interview newly appointed Minister of Commerce Hu Ping disclosed that reforms in the sphere of circulation

will be placed on the agenda of the state, and that the general guideline is to develop commodity economy in order to achieve an open market under the state's regulation and control. To create a new order for commodity economy, he said, we must first of all rid the circulation sphere of all restrictions caused by the traditional product economy.

Hu Ping said: The central government realizes that reforms will be quite difficult in the problem-ridden sphere of circulation. Although we are on the track of commodity economy, many of our measures remain conventional. Without reforms in the circulation sphere, commodity economy can hardly develop. While commercial reforms cannot be achieved in one stroke according to the central government's requirements that the number of circulatory stages should be reduced and that new ways should be explored, we should handle the project step by step, like untying a knot.

Hu Ping said: As requested by the central government, the Ministry of Commerce recently studied the issue of deepening reform and is working hard on a new reform plan.

Hu Ping said: Short-term reforms in the sphere of circulation should achieve a breakthrough in four areas: First, commodity circulation should be organized according to the principle of reducing the number of links in the chain of distribution. Since grassroot units have been given greater authority in recent years, a wholesale network should be set up on this basis. Whenever industrial enterprises can sell their goods on the wholesale market directly, they should sidestep commercial wholesalers. Ordinary consumer goods which require commercial wholesalers' assistance should be handled by specialized wholesalers so that the number of links can be reduced. For agricultural and sideline products, we should encourage direct production-marketing ties between rural and urban areas, with the county as the basic link in the chain. As for the purchase of large amounts of agricultural goods, buyers should set up purchasing bases in the county and the supply should be handled by the local commercial departments. Small amounts of perishable goods should be directly sold at wholesale markets. In the future, there should be all forms of interregional associations which will operate without regard to which departments they belong.

Second, we should reform the circulation of food grain. In this area the traces of product economy are still quite obvious. Despite the contract system, the mentality of eating from the same big pot still prevails and enterprises handling food grain circulation still lack vitality. While prices have yet to be rationalized, we should seek a place where we can achieve a breakthrough.

Third, we should bring into play the regulatory functions of storage facilities to control seasonal price differences. When supply exceeds demand, we can store up those in excess and sell them when supply drops. In terms of

storage, delivery, and preservation facilities, commercial departments are much better off than all other departments. In the past people did not realize these advantages, thus causing great wastes. From now on these facilities should be treated as economic entities which will handle their accounting independently. These facilities should be available to the whole society, and they can diversify their operation, such as processing farm produce.

Fourth, we should explore new ways to manage social commerce. While state commerce now dominates the wholesale sector, retail sales by social outlets represent 60 percent of the total volume of retail sales, and the Ministry of Commerce will not—and cannot—handle any other than their own enterprises. In the future, the ministry will exercise control over all commercial trades in society. Of course it will do so by legal means and through trade associations, and not by administrative orders.

Hu Ping said: Because of an early start, big strides have been made in commercial reform in recent years, and it has played a significant role in enlivening the market, in satisfying production and consumption needs, and in supporting the work of opening to the outside world. But the increase of commercial channels has also given rise to some chaos. Because of speculation, commodity prices are out of control, thus increasing consumers' burden. This is why it is necessary to create a new order of commodity economy. First of all, just as some experts said, market competition, like sports, must have regulations. The reason why the Olympic Games and the Asian Games can proceed in an orderly way is because they have strict regulations governing who can take part in which competition as well as how the performance is rated. Secondly, there should be judges, and nobody should be both an athlete and a judge. This is why we must have commercial law, enterprise law, and other laws so that everybody can compete on an equal footing.

Hu Ping frankly stated that commercial reforms contradict significantly with traditional operation, and that commercial workers are burdened with problems. But we cannot afford to do nothing because of this, he said. As long as we heighten our spirit, explore actively, and take advantage of our resources, he said, we can stand firm, find new ways, and develop in the course of reform. By no means should we return to where we were.

FOREIGN TRADE, INVESTMENT

Official Sees U.S. Investment Increasing 'Rapidly'
HK2706104388 Beijing CEI Database in English
27 Jun 88

[Text] Beijing (CEI)—The United States has rapidly increased its investment in the Chinese mainland, said Chen Baosen, a researcher in the Institute of American Studies of the Chinese Academy of Social Sciences.

He said American investment in the mainland in 1985 increased 63.1 percent over that of 1984 and in 1986 a 35.4-percent increase was made over 1985. It is still growing, he noted.

He said the focus of U.S. investment has switched from oil industry and hotel construction in the past to electronics, chemical, machine building, textile and food industries.

He believed that the United States has made a large-scale and far-sighted investment in the Chinese mainland compared with Hong Kong and Macao. However, he said, except petroleum firms, other U.S. transnationals are still hesitating to invest in China. He listed a number of the Sino-U.S. joint ventures that are successful, and said but the advantage of a cheap work force in China has often been offset by a rather undesirable investment environment as well as immature financial, materials and labor markets.

U.S. Called Shanghai's 'Number One' Trade Partner

HK2206141988 Beijing CEI Database in English
22 Jun 88

[Text] Shanghai (CEI)—The United States has become the number one trading partner and investor in Shanghai.

Shanghai's exports to the U.S. were valued at 4.1 billion yuan in 1987, ranking second among its 160 trading partners, only after Hong Kong and Macao. Meanwhile, the city has imported 154 million U.S. dollars worth of equipment and technology from the U.S., its fourth largest import source.

By the end of May, the city had approved 323 Sino-foreign joint ventures involving 1.9 billion U.S. dollars, of which, the U.S. invested 570 million U.S. dollars in 48 projects, accounting for 29 percent of the total foreign investment in the city. The amount of U.S. investment for the first time surpassed that of Hong Kong.

A local official outlined four features of U.S. investment in Shanghai:

—It is focused on industrial enterprises. Over 89 percent of the U.S.-funded projects are engaged in the production of automatic instruments, computer software, marine oil-drilling equipment and airplane manufacture.

—A large number of transnational corporations are involved.

—The ventures feature the latest equipment. Of the 31 Sino-foreign joint ventures in the city with high-tech equipment, 14 are U.S.-funded enterprises, accounting for 45 percent of the total.

—Good economic results are recorded. Most of the U.S.-funded enterprises in operation have reached a balance in foreign exchange receipts and payments.

However, local economists have pointed out that U.S. trade protectionism, tariff discrimination and restrictions on technical transfers to China are hindering future economic cooperation between the two countries.

'Booming Trade' With USSR in Heilongjiang
OW3006114488 Beijing XINHUA in English
0114 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—Northeast China's Heilongjiang Province is asking the state to approve more trading ports at the Sino-Soviet border as the original six trading ports can not meet the need of booming trade, reported today's "CHINA DAILY".

A seventh trading port, Sanchakou, is expected to be approved by the central government soon, said Dong Zuomin, a government official from the province.

Dong said, "We need more because both we and the Soviets need each other's products and the demand is growing rapidly".

Sanchakou is located in Dongning County in east Heilongjiang, 179 kilometers west of the Soviet port city of Vladivostok. On the eastern side of the port is a 10-meter wide small border river.

Dong said the new port is designed to head the whole foreign trade of the county, one of the richest areas in the province. The two sides have already started negotiations on the type and quantity of goods which will trade through the port during its first year.

He said local Soviet officials have proposed the first business deal of 30 million roubles (about 180 million yuan). Businesses from other parts of China, realizing the commercial potential of the region, have applied to set up branches.

The official said the major items to be bartered through the new port will be similar to those in the other six ports in the province—imports of wood chips, steel plates, fertilizer, cement, galvanized iron and agricultural chemicals and exports of vegetables, fruit, wine, textiles, shoes, hats and light industrial products such as thermal flasks and tape recorders.

Shanghai-Volkswagen Venture Prospers
HK0107101588 Beijing CEI Database in English
1 Jul 88

[Text] Shanghai (CEI)—The Shanghai-Volkswagen Automotive Company was elected one of the ten best Sino-foreign joint ventures in China recently.

The joint venture between China and Federal Germany has been making profits since 1986, the second year after it went into operation, and both parties have reinvested their profits in further expanding their production.

Major of products of the company are "Shanghai-Santana" sedans and engines with a designed capacity of 30,000 sedans and 100,000 engines per year. It also turns out a small number of de luxe "Audi 100" and "Passat Variant" cars.

The investment of the corporation has totalled 985.7 million RMB yuan.

The Shanghai-Volkswagen Corporation was the largest joint venture invested by Federal Germany in China. According to a feasibility study made in 1983, total investment in fixed assets would be 500 million Deutsche marks (or an equivalent of 387 million yuan according to the exchange rate of that time), 40 percent of which was registered capital and investment was to be shared by the two sides on a 50-50 percent basis.

The inauguration ceremony of the company in October, 1984, was presided by Chinese Premier Zhao Ziyang and Federal German Chancellor Helmut Kohl. The company went into operation in September, 1985.

At present the company has about 2,100 staff and workers including 42 technicians from federal Germany. It has become very popular among Chinese customers and its products are in short supply on the Chinese mainland.

In order to raise funds, the company issued 29.5 million yuan worth of bonds recently. Any company that purchased 200,000 yuan of bonds or more would have the privilege to buy a Santana car.

The company has set up 34 service centers throughout China's mainland.

The company plans to raise its production capacity to 300,000 cars and 500,000 car engines by the year 2000.

'Improving' Conditions for Joint Ventures
OW1506140188 Beijing XINHUA in English
0817 GMT 15 Jun 88

[Text] Beijing, June 15 (XINHUA)—Conditions are improving for joint ventures in China, but there is still much to be done, said today's "ECONOMIC DAILY," quoting managers from leading joint ventures across the nation.

Qu Jiapeng, the Chinese deputy manager of the China Otsuka Pharmaceutical co., Ltd., Complained of too many meetings for joint ventures. "I receive an average of ten notices for meetings each month," he said.

China Otsuka Pharmaceutical Co, Ltd., is one of the ten leading joint ventures selected by the newspaper in a recent contest which it held. The names of the winning firms and interviews with their managers are being carried in today's edition.

Qu was further quoted as saying that last year he was required to attend four meetings on flood control.

"Entrepreneurs know by instinct and common sense to guard against floods in summer time. Therefore, calling such meetings is a waste of a manager's valuable time," he added.

Too many meetings is a complaint echoed by an American deputy manager in the Beijing Jeep Co., Ltd. "My Chinese partners are called away to attend too many meetings, with the result that they simply cannot concentrate on production and management," he said.

He added that China should not interfere with the wage systems of a joint venture, nor place too much stock in the strict maintenance of currency balances.

"When we give technicians and engineers higher wages than the workers, we are trying to stimulate their enthusiasm, and to create healthy competition in the venture," he argued.

Control over personnel management and disregard of international standards are other major issues of concern to joint ventures.

Having a surplus labor force which we were forced to accept and cannot strictly control has made it very difficult to manage our factory according to international standards, said Yu Zhongjie, deputy manager of a Shanghai joint textile company.

Yu suggested that the state set up organizations to deal with the problems joint ventures themselves cannot solve, such as surplus labor.

Only when these problems are solved can joint ventures be managed efficiently and according to international standards, and with marked increases in productivity and quality, added Yu.

Most of the existing problems, however, are caused by inadequate levels of economic development, old stereotyped concepts and irrational regulations, said the paper, adding that traditional moves must give way to international standards if progress is to be achieved.

A series of regulations and rules concerning joint ventures are under development now, said the paper, adding that this points to the fact that joint ventures will play an even greater role in China's future economic life.

As regards income tax and customs examinations, the paper quoted officials in both the State Administration of Taxation and state administration for the inspection of import and export commodities as saying that actual improvements will take place in the near future.

Nine years' experience in setting up joint ventures in China has started to yield some positive results. The number of joint ventures went up 49 percent and investment totals increased by 31 percent in 1987, as against 1986.

The emphasis in joint ventures is currently shifting toward production as against construction or assembly, said the paper. Figures reveal that in 1987, 85 percent of the newly-approved foreign enterprises were production oriented.

This figure was up almost 9 percent over 1986.

RENMIN RIBAO Article Discusses Ways To Use Foreign Capital

HK0107001588 Beijing RENMIN RIBAO in Chinese 20 Jun 88 p 5

[Article By Yang Aiqun (2799 1947 5028): "Tentative Comments On How To Use Foreign Capital In The Near Future"]

[Text] Since "The Law of the People's Republic of China On Chinese-foreign Joint Ventures" was promulgated in July 1979, our country has gradually established and perfected its economic laws and regulations. As a result, more and more foreign capital arrived in our country and the economic results of foreign investment greatly increased. Especially since the State Council promulgated "Regulations on Encouraging Foreign Businessmen to Make Investments in China" in October 1986, utilization of foreign capital has taken a major step forward and entered a period of steady and healthy development.

By the end of 1987, our country had accepted foreign investment from 40 countries and regions in the world; approved the establishment of nearly 10,000 foreign-owned enterprises; 4,600 Sino-foreign joint ventures; over 5,190 Sino-foreign cooperative enterprises, and 183 exclusively using foreign capital; signed 44 contracts with foreign businessmen for ocean and petroleum prospecting; signed agreements on foreign investment totaling over \$22.8 billion; and received a total \$8.5 billion in foreign investment. So far, 4,000 enterprises have gone into operation, in important fields in our national economy, such as energy, communications, metallurgy, electronics, the chemical industry, and others. As far as their operations are concerned, most of these enterprises achieved good economic results. Both the Chinese side and foreign investors have benefited from cooperation in

these enterprises. By the end of June 1987, our country had also signed agreements with foreign countries to borrow loans totaling \$31 billion and have already received \$22.8 billion.

However, as our country only began to implement the policy of opening up to the outside world a few years ago, it has encountered difficulties and problems in the utilization of foreign capital. In order to increase the overall comprehensive economic results, fully tap the potential, make use of the favorable conditions, and solve the realistic problems and difficulties of utilizing foreign capital, at present, we should adopt the following measures:

Continue To Improve the Investment Environment by Laying Stress on Several Fields

The world economy is now experiencing the third post-war industrial structural readjustment. As a result, some new changes have taken place in the world economic structure. Some changes have provided a favorable environment for our country to use foreign capital. These include: The circulation of international capital has accelerated and expanded; in 1985, the volume totaled \$284.7 billion, in 1986, the total increased to \$380 billion. Second, due to the rapid appreciation of the Japanese Yen and the Deutsche Mark, domestic production costs in Japan and West Germany have increased sharply. As a result, these two countries transferred their surplus capital, equipment, and technology to other countries. Under pressure from the rapid appreciation of the Yen, Japan has greatly increased direct investment in other countries over the past few years. In 1980, Japan's direct investment totaled \$2.11 billion, in 1986, totaled \$2.32 billion, and in 1987 increased to \$33.36 billion. Third, because of huge foreign debts, the appreciation of their currencies, and increase in production costs, some newly industrialized countries and regions have found it difficult to raise funds on the world market; some have begun to make more investments in our country due to the rapid improvement in the investment environment.

In order to make better use of foreign capital and attract more foreign investment, the pressing matter at the moment is to improve our country's investment environment with stress on several fields. Over the past few years, many farsighted people at home and abroad have agreed that in order to improve the investment environment, our country should make greater efforts to improve the soft investment environment. To do so, our country must pay attention to the following four questions: First, we must perfect foreign-related economic laws and regulations. To do so, we should make some necessary amendments in the existing ones in light of the actual situation of opening up to the outside world. Second, we must increase our work efficiency by making greater efforts to rationalize our country's foreign capital management structure; make it more scientific; increase work efficiency; simplify work procedures; reduce direct involvement in the management of foreign-invested

enterprises; strengthen the macroeconomic coordination and management of foreign-invested enterprises. Concurrently, we must train a large number of professionally qualified personnel and improve the quality of staff and workers engaged in foreign-related economic work. Third, while setting up new foreign-invested enterprises, we must pay great attention to the management of the existing foreign-invested enterprises in our country. We must do everything possible to enable foreign businessmen to become interested in making investments in China's enterprises and make our country's investment environment really attractive to foreign businessmen. To achieve this goal, we must do our best to manage the existing foreign-invested enterprises in our country competently. We must help existing foreign-invested enterprises overcome difficulties and solve their problems so as to create a "small atmosphere" favorable to the development of existing foreign-invested enterprises. If we just call for the improvement of the investment environment but fail to manage the enterprises run with foreign capital, overseas Chinese capital, and with both Chinese and foreign capital competently, we will never enable foreign businessmen to have confidence in making investments in China's enterprises. Fourth, in the course of reforming the economic structure, we must gradually establish and perfect the market of production means, the money market (including the foreign exchange regulating market), labor service market, and technology and equipment market, which the development of the commodity economy requires to provide better services to the enterprises run with foreign capital.

It Is Necessary To Perfect the Industrial Structure by Continuing To Rationalize the Use of Foreign Capital

A rational industrial structure guarantees the sustained and steady development of our national economy. Different use of foreign capital as an essential element of production can produce different effects in our industrial structure. Therefore, the rational use of foreign capital can promote the rational development of our industrial structure; irrational use can certainly cause irrational development.

To effectively rationalize the industrial structure, in the future, we should continue to use some of the foreign loans to build such projects as energy, communications, telecommunication, raw and processed materials, and some other types of projects which are capable of indirectly promoting our country's export trade. We must gradually divert our efforts to the building of projects which are capable of directly expanding export trade and produce import substitutes in large quantities. Efforts should also be made to encourage foreign businessmen to make direct investments in technologically advanced enterprises; enterprises aimed at earning foreign exchange through export and to pursue the technological transformation of our country's existing enterprises. We must also pay attention to the building of projects which are capable of promoting the mechanical and electrical technological progress and producing raw and auxiliary

materials, components and parts in large quantities; these projects can help to promote the import and absorption of advanced foreign technology.

I should point out that it is improper to rely, for a long period, on foreign loans to build the basic urban industrial facilities. Although in so doing we can solve the problem of a lack of funds for the time being, we will eventually be in a predicament as our country's repayment capability cannot be improved within a short period of time. The fact that some developing countries are suffering serious debt crisis tells us that if we make long-term and excessive use of foreign loans to offset our financial deficit, trade deficit, and imbalance in foreign exchange earnings and expenditure, we will suffer serious consequences.

Transform Existing Enterprises by Using Foreign Funds

For a period in the past, whenever we talked about inviting foreign funds to run enterprises, people thought we wanted to use foreign capital to build new enterprises. However, even if foreign businessmen are willing to make a large amount of investment in our country, we will still lack the necessary funds to set up a large number of new enterprises. Therefore, I think that if we carry out the technological transformation of existing enterprises by turning them into Sino-foreign joint ventures, we will be able to achieve better results. Our country has hundreds of thousands of industrial enterprises; by implementing the joint-stock system we will be able to turn some of our state-run enterprises into Sino-foreign joint ventures making use of foreign capital to carry out the technological transformation of our key production equipment and import advanced foreign technology and management experience. Generally speaking, such Sino-foreign joint ventures can go into production in the same year they are built so that the investment made can be quickly recovered. Moreover, such ventures usually yield good economic results. As far as foreign businessmen are concerned, they do not have to spend money on new factory buildings, new equipment, and in building other facilities. Thus, by placing investments in China's existing enterprises, foreign businessmen will be able to get twice the results with half the effort. The Chinese side and the foreign investors can both benefit from the operation of Sino-foreign joint venture enterprises.

To carry out the technological transformation of our country's existing enterprises by turning them into Sino-foreign joint ventures successfully, we must solve the question of who will be responsible for the management of the enterprises after they become joint ventures. On the premise that all the legitimate rights and interests of the Chinese side are fully guaranteed, we must boldly let foreign businessmen manage joint ventures. One important goal in setting up foreign-invested enterprises is to learn from and absorb advanced foreign enterprise management experiences. The technology and equipment in

our enterprises are relatively backward, and the management methods even more so. After conducting investigations, some foreign experts reached the conclusion that: Technology and equipment in China's enterprises are generally more advanced than in some Southeast Asian countries and regions. However, China's enterprises produce almost the same economic results. The fundamental reason is that the management methods in China's enterprises are relatively backward. Some experts say that if the directors of the Chinese enterprises were changed, many Chinese enterprises would be capable of producing better economic results without requiring any more investment. As we have already invited foreign entrepreneurs to manage some of our state-run enterprises, there is no reason why we should not let them manage Sino-foreign joint venture enterprises.

The operations of existing Sino-foreign joint ventures shows that by and large, the ventures which are mainly managed by foreign entrepreneurs produce better economic results. Therefore, we should do everything possible to enable foreign entrepreneurs to manage joint ventures according to common international practices. We should not introduce the practice of "eating from the same big pot" into Sino-foreign joint ventures. We should demand that all Chinese personnel working in the joint ventures modestly learn from foreign entrepreneurs so as to really master advanced foreign management practices. Of course, when selecting foreign management personnel for the Sino-foreign joint ventures, we must only choose those with prestige, real ability and those who are willing to observe Chinese laws and the contracts signed between the two sides.

Controlling the Use of Foreign Capital Based on Reality

When using foreign capital, we must stress the actual results, and deal correctly with the relationship between the amount of foreign capital and the results. This means that we should not only pay attention to the amount of foreign capital we use but to the actual results the use of foreign capital can produce. At present, we must prevent the short-term behavior of some enterprises which blindly use an excessively large amount of foreign capital. Before accepting the direct investment of foreign businessmen, we should conscientiously carry out the necessary feasibility studies on the enterprise's repayment capability; the amount of domestic capital to be required; the sale of products; foreign exchange balance; transport capacity; the supply of energy and raw materials and so on; and coordinate and balance the relationship between various regions, departments, trades, and professions. In accepting foreign loans, we must firmly grasp three links in the management of foreign loans, namely, borrowing, using, and repaying foreign loans. The international debt crisis in some Latin American countries has resulted in heavy economic loss. Our country has also borrowed some foreign loans. It is predicted that it will have to repay a large amount of foreign debts in the 1990's. Under such circumstances,

we must take precautions and strengthen the management of our foreign debt. In the past, with regard to the management of foreign debt, our country mainly relied on administrative methods to control the total scale of foreign debt; seldom used legal and economic methods or market information to manage foreign debt; and paid little attention to the actual results of using foreign capital. So, in the future, when borrowing foreign loans, we should first of all formulate and perfect the laws and regulations governing them; manage the foreign loans we borrow according to the law; mediate the international debt disputes concerning our country according to the law; and put the whole process of borrowing foreign loans under the control of the law. We should define a proper scale for our country's foreign debt. There are several internationally recognized foreign debt control quotas which we can refer to in assessing the scale of our country's foreign debt: (1) The remaining sum of foreign debt/GNP is less than 20 percent; (2) The principal and interest of foreign debt to be repayed in the year/The total amount of foreign exchange earnings through export trade in the year is less than 20 percent; (3) The increase speed of foreign debt/is less than the increase speed of GNP; (4) The remaining sum of foreign debt in the year is less than the foreign exchange earnings through export trade in the year. As the situation concerning foreign debt differs from country to country, we should use these foreign debt control quotas flexibly in the light of the actual situation of our country. As our country's export commodity structure cannot improve greatly within a short period of time, it is impossible for it to greatly increase its foreign exchange earnings within a short period. Moreover, our country only has a small amount of foreign exchange reserve and thus little room for maneuver with regard to her international income and expenditure. Our country's domestic capital is also limited. Therefore, when borrowing foreign loans, we must be very cautious and leave some margin in order to prevent a possible debt crisis. We must establish and strengthen a multi-level foreign exchange management structure capable of operating in a coordinated way. At present, we must manage our foreign debt on two levels. The state has allowed scores of departments and units to issue bonds, as some of these departments and units are only responsible for borrowing money and not responsible for repaying money, the three links in the foreign debt management, namely borrowing, using, and repaying, have been divorced from one another. In order to change this situation, we must establish and strengthen a multi-level foreign debt management structure capable of operating from the central level to the local level in a coordinated way. The central authorities should authorize an authoritative management institution to carry out the overall management of our foreign debt. It is necessary to stick to the principle that those who borrow and use foreign loans repay them. It is also necessary to enhance the debtor's sense of repayment responsibility and gradually transfer the risks and benefits involved in the use of foreign loans to the enterprises, banks of an

enterprise nature, consultative and assessment departments, and other financial institutions in order to overcome the short-term behavior of some localities, departments, trades, and professions in borrowing foreign loans. The central foreign debt should be linked with the central foreign exchange reserve; the foreign debt of various departments and trades should be linked with the foreign exchange reserves of those departments and trades; the foreign debt of various localities should be linked with the foreign exchange reserves of those localities; and the foreign debt of various banks and financial institutions should be managed according to the principle of independent management and self-balance so that the management of our national foreign debt will form a benign cycle.

Inspection Official on Imports' Low Quality, Quantity

*OW2806022188 Beijing XINHUA in English
1015 GMT 27 Jun 88*

[Text] Beijing, June 27 (XINHUA)—China announced here today that 14.67 percent of imported commodities inspected from January to April this year had problems not only in quality but also in quantity.

Zhu Zhenyuan, director of the State Administration for the Inspection of Import and Export Commodities, told XINHUA that his department had discovered such problems in 4,572 out of 31,000 shipments of products imported in the January-April period.

As a result, Chinese foreign trade departments have claimed damages from those responsible, he said.

In 1987 alone, more than 129,000 shipments of imported commodities were inspected and 17,834 were found to be below the standards set in the contracts.

The foreign trade departments claimed more than 120 million U.S. dollars in damages last year, according to the administration.

For example, Tianjin purchased from the United States 70 sets of color photograph developing equipment at a total cost of 2.8 million U.S. dollars during the first quarter of this year. Within the warrant period, it found 68 sets of the equipment to be of poor quality.

Also, Jiangsu Province inspected 25 lots of washed wool imported from Argentina between January and March this year, but it found 10 lots—40 percent of the total—did not meet the required standard.

A kinescope company in Fuzhou imported 10,000 sets of color kinescope parts from Japan, but it found a shortage of 1,000 sets when they were delivered.

According a report from Henan Province, a meat-processing plant imported from Switzerland a sausage and ham production line worth of 300,000 U.S. dollars. When it was delivered to the plant it was found to be the wrong model and was even partly damaged.

To solve these problems, Zhu said, the relevant departments should tighten inspection of imported commodities while improving work efficiency and quality.

As the same time, China will also expand contacts and cooperation with other countries in the inspection field, he added.

He said the State administration for the Inspection of Import and Export Commodities plans to establish its own inspection agents or joint-venture agencies in other countries to cater to the needs of China's import and export trade.

CITIC Sells Large Number of Bank Shares in Hong Kong

*OW2306014088 Beijing XINHUA in English
1503 GMT 22 Jun 88*

[Text] Hong Kong, June 22 (XINHUA)—The China International Trust and Investment Corporation (CITIC) this week sold out a large number of shares it had previously bought from an unsuccessful bank in Hong Kong.

Two years ago, CITIC invested 350 million H.K. dollars to purchase 200 million ordinary shares and 150 million preferential shares from the Ka Wah Bank Ltd. Which had a declining business at that time.

A spokesman for CITIC said today that it sold on Tuesday 20 million ordinary shares to the People's Construction Bank of China at 1.8 H.K. dollars each. Now the amount of such shares CITIC holds has been reduced to 71.4 percent.

The number of ordinary shares it held once accounted for 92.4 percent of all those issued by the bank. CITIC began to sell out the ordinary shares in line with the regulation of the stock exchange of Hong Kong which still is that one major shareholder can not control more than 75 percent of any of the listed companies, according to the spokesman.

During the past two years, Ka Wah Bank has shown great progress in its business with the fresh investment of CITIC, the spokesman said.

Established in 1954, the People's Construction Bank of China is specialized in the control of capital investments in the Chinese mainland. Now it has also begun to handle overseas businesses.

Guangdong To Encourage Export-Oriented Economy

HK1806020788 Guangzhou Guangdong Provincial Service in Mandarin 1030 GMT 17 Jun 88

[Text] A new flexible scheme is about to be tabled that makes adequate and lively use of the central policies conferred on Guangdong for deepening the reforms and expanding opening up to the world, and that encourages the development of export-oriented economy. The draft of this new scheme is being submitted to the provincial conference on expanding industrial exports now being convened in Zhongshan City.

These 19 provincial regulations on speeding up the development of export-oriented economy, drawn up by the provincial government, include the following points: relaxing the powers of examination and approval for direct use of foreign investment; delegating to lower levels the right to approve and register enterprises with three sources of capital; further invigorating foreign exchange regulation; and establishing an export risk fund.

The foreign trade and economics cadres of the cities and counties have expressed particular interest in the following contents of the regulations: The draft proposes that townships, towns, and counties where the conditions are right can establish export-oriented processing and assembly service companies to undertake processing and assembly of imported materials in a unified manner; this business will be handled by individual specialized households; the method of adopting the form of Sino-foreign joint and cooperative ventures for speeding up the technological transformation of old enterprises is encouraged; existing enterprises can be contracted out to foreign businessmen to run; when necessary, certain medium-sized and small enterprises can be hired or sold to foreign businessmen to run, and these enterprises will enjoy treatment as enterprises run by foreign capital; and export-oriented enterprises will be encouraged to raise capital themselves to develop the production of exports.

These regulations on speeding up the development of export-oriented economy will be promulgated and implemented after revision.

Shanghai Opens Special Docks for Foreign Trade

*HK2206133588 Beijing CEI Database in English
22 Jun 88*

[Text] Shanghai (CEI)—The port of Shanghai has opened 14 special docks to relieve the shortage of berths for foreign trade transportation.

These docks handled 2.09 million tons of import and export goods from January to April this year, the equivalent of 55.5 percent of last year's total.

At present, the harbor's special docks for foreign trade transportation has increased in number. Varieties of goods have also been expanded from the original coal and petroleum to metal ores, timber, chemical raw materials and products as well as industrial products for daily use.

TRANSPORTATION

Sino-Pakistani Highway Nearing Completion
40060333b Beijing JINGJI RIBAO in Chinese
1 Jun 88 p 1

[Text] The Sino-Pakistani highway reconstruction project, one of the key projects of the Seventh 5-Year Plan, is now in the touch-up phase and is expected to be completed and opened to traffic before the end of the year. 420 km long, the highway is an international artery linking Xinjiang with Pakistan and the countries of Western Asia and Eastern Europe.

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Construction Deputy Minister Discusses Urban Transportation
40060314a Beijing GUANGMING RIBAO in Chinese
1 Jun 88 p 1

[Article by Li Jiajie [2621 1367 2638]: "It Is Essential That We Adopt New Concepts and New Ideas—Zhou Ganzhi [0719 1631 1492], Deputy Minister of the Ministry of Urban and Rural Construction Talks About Urban Transportation"]

[Text] In the morning of 25 May, the deputy minister of the Ministry of Urban and Rural Construction, Zhou Ganzhi, took time out from an important meeting to spend 2 hours discussing urban traffic problems with this reporter.

Zhou said that since 19 May, the GUANGMING RIBAO has published a series of reports on the traffic situations in Beijing, Tianjin, Shanghai, and Guangzhou, and the articles have attracted the attention of the Ministry of Construction, and the leaders are glad that the newspaper has devoted so much coverage to urban transportation.

Unfortunately, the Experts Were Right About China's Urban Traffic Problem

Zhou said, "I used to be vice chairman of the National Academic Council on Urban Traffic Planning, and have studied urban transportation in depth. Since the Third Plenum of the 11th Party Central Committee, although the increase in traffic in the cities has slowed down, the problem has not been solved."

Zhou said that urban traffic problem is by no means a recent discovery. As early as in 1978, at the First National Symposium On Urban Traffic Problems,

experts had already predicted today's traffic condition in the cities, and they made public appeals, suggested ways to solve the problem, and, finally, submitted a written report. At that time, experts clearly pointed out that urban traffic problems should not be ignored, and if they were not dealt with promptly, in a few years the condition would deteriorate. In view of today's situation, unfortunately, they were right.

Zhou said that during the past 10 years, experts have tried to make their voices heard on at least 8 occasions, but the problem was ignored. One of the main reasons is that the policymakers basically do not understand the problem. Automobiles have replaced horse-drawn carriages in the cities, marking a new era, but some policymakers do not understand fully the complexity of the elements and problems brought by city traffic. Although they are in it every day, they understand little of the ramifications, and their approach to the solutions is very superficial, and they lack adequate knowledge of the tremendous loss caused by traffic problems. Zhou said that losses due to traffic accidents, traffic jams, and empty streetcars in the cities are astounding. Someone estimated that they cost the country as much as 1 percent of the GNP. In the early 1980's, traffic problems cost Tianjin Municipality alone as much as 100 million yuan a year. Today, nationwide, the damages amount to several billion yuan each year. Traffic problems are not as sensational as fire, airplane, or train disasters; they are little problems shared by everybody, and the policymakers are accustomed to them.

Zhou said that in the well-developed countries urban traffic is regarded as a major technical problem facing the contemporary human race. It is as important an issue as energy, the environment, and cancer. City traffic in the well-developed countries has developed into a comprehensive traffic engineering course, and those countries are equipped with a contingent of well-trained modern traffic engineers and management specialists who deal with the problems scientifically. In comparison, our knowledge is grossly inadequate.

Urban Transportation Should Spearhead Economic Constructions, But in Reality, They Trail Behind

Zhou Ganzhi said that urban transportation should spearhead economic constructions, but this has never been so in our book of national economic planning. Instead, traffic is considered a non-constructive project, and investments in traffic facilities have always been of a short-term nature. As a result, year after year, we only see "new debts piled on top of old debts." How could the traffic situation not deteriorate?

Let us look at some figures. At present, Beijing has the best traffic condition, but each person has only 4 square meters of road surface. Tianjin is second best with a per

person road surface of just over 3 square meters. Shanghai has the worst conditions, with only 2 square meters per person. We are way behind the well-developed nations in this respect.

Zhou said, "I did a calculation once. If motorcycles are converted to the equivalent of automobiles, and if we get all of Beijing's cars onto the streets, all of Beijing's main and side streets will be filled, and cars will line up from bumper to bumper, and all will be immobilized. With these kind of traffic conditions, how can we hope to modernize the cities? As we open up further to the outside world, and our reforms become more thorough, the streets in the coastal cities, in particular, will be even more congested. The population flow will increase in the major cities, and there will be marked increases in passenger and freight traffic. In the future, city traffic will surely be much worse than we can imagine today. If we failed to make "advance" preparations now, the nation's economic constructions will inevitably be held back."

Zhou Ganzhi sighed and said, "We have been taught many lessons, but we still have not learned."

Almost 40 Years Since the Founding of the PRC and Still We Have No Traffic Control Rules: Traffic Control Is Up to the People, or Left Unattended

Zhou Ganzhi said that at present, improving city traffic is not impossible. We can draw on the experience of foreign countries which emphasize both construction and management. This method is economical and efficient, but putting it into practice is rather difficult.

The first problem we face is that we have no traffic laws. It has been almost 40 years since the founding of the People's Republic, but we have not yet formulated a set of traffic laws. Most cities do not have traffic regulations. Our traffic control is lax compared to other parts of the world. Many city roads have fast and slow lanes, but without laws, there is no way to enforce the regulations. In congested areas, we should control the commercial links, but often they are impossible to control. Staggered work-shifts can ease the traffic, and relocating some workers to shorten commuting distances will reduce congestion, but in practice, these measures are very difficult to implement. In short, there are many ways to manage and solve the traffic problem, but in the final analysis, little can be done.

Zhou said that it should be pointed out that we cannot solve traffic problems in the city by tightening control alone. We need to speed up the construction of roads and communication facilities. These would require a substantial amount of funds. We should develop more reliable channels to raise funds, funds which should be repaid, to finance communication projects.

Finally, Zhou Ganzhi said that as far as the policymakers are concerned, it is vital that they adopt new concepts and ideas. Only with proper education, a correct policy, sufficient funds, plus a few years of hard work, will we see significant change in China's urban traffic situation.

12986

Scientists Call for Transport Safety Bureau
OW0107142388 Beijing XINHUA in English
0725 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The China Association of Science has suggested to set up a national transport safety investigation bureau to reduce the increasing number of traffic accidents, according to CHINA SCIENCE AND TECHNOLOGY DAILY.

The association held that the tasks of the bureau would be to investigate transport accidents and work out preventive measures and draft safety regulations.

It should conduct regular safety checkups on transport departments, establish national safety control data banks and direct investigations on safety problems.

The association said that the bureau should be put under the direct leadership of the State Council so it can co-ordinate the efforts of various government departments.

In the past few decades, investigation and prevention of transport accidents in China have not been carried out satisfactorily due to weakpoints in the management system. The main problem is that factfinding missions are organized temporarily or only when serious accidents occur, and they are dissolved after the completion of an investigation.

The scientists think that the establishment of the bureau will bring together a large number of professionals in safety control and accident investigation, which can help improve the country's transport facilities and technology.

Experts Discuss 'Severe Backwardness' in Services
40060327 Beijing RENMIN RIBAO in Chinese
6 Jun 88 p 3

[Article by Wang Xiyuan [3769 3305 0337] and Jiang Jianke [5592 1696 4430]: "Over One Hundred Specialists Gather To Discuss Measures To Resolve China's Severe Backwardness in Transportation Services"]

[Text] Two suggestions for improving China's transportation services were made by experts attending today's opening of "The Academic Exchange and Symposium on

Policy Research and Developmental Strategies for China's Transportation Services." The experts said that changing concepts and improving macro controls were the keys to accelerating the development of transportation operations in China.

Using extensive surveys, research, and statistics, the experts demonstrated that our transportation operations are quantitatively and qualitatively far behind what is demanded by both the national economy and by improvements in the peoples livelihood. The present transportation crisis is already quite evident. The difficulties of finding means to travel or of shipping goods are quite common. The most outstanding problems are an insufficient transportation capacity, an illogical transportation network, a weak infrastructure, facilities in a state of disrepair, and serious accidents. Take for example the railroad which is the main transportation force in China. Although the 1987 passenger and cargo conversion turnover rate had increased 19.3 times over that of 1950, the length of railroad lines in service was only 1.4 times more than before, the number of locomotives represented only a 2-fold increase over 1950, the number of passenger railcars a 3.6-fold increase, and the number of freight railcars a 5-fold increase. All this has led to an acute contradiction between the quantity of goods and passengers to be transported and the capacity of the transport system which must move them. Though there has been great development in highway transportation since Liberation, our 980,000 kilometers of available highway is only equal to the highway mileage of the United States in 1926. Our inland waterways and our ports are basically in their natural states; there has been very little expansion in these areas for many years now. There is a shortage of airports for civil aviation use and those that we have are of low quality. There is also a shortage of airplanes to fly the major routes; and our navigation equipment and air traffic control facilities are outdated.

Experts have analyzed the reasons why our transportation services are lagging behind. They feel that the main reasons are that people do not understand the strategic position played by transportation nor do they understand its vanguard role. As a result, there is a whole host of problems in strategic deployment and in macro control.

Experts discussed over 10 topics in the area of transportation. Topics included everything from a change of concepts, to fund raising, readjusting transportation fees, organizing a multimodal transportation system, expanding water transport, and modernizing management.

Over 130 specialists in fields related to transportation are participating in the conference, and they plan to hold five days of discussions. They will collect all their ideas together and present them to policymaking bodies.

Long-Distance Ferries Deemed Useful for Railway Transport

40060314b Beijing GUANGMIN RIBAO in Chinese
1 Jun 88 p 1

[Article by Xinhua reporter, Zhang Gaopeng [1728 7559 7720]: "To Increase China's Transport Capability, Experts Hua Yunchang [5478 0336 3864] and Hou Yinnan [0186 3593 2809] Urged Prompt Development of Long-Distance Ferries For Railway Transport"]

[Text] Seasoned experts of China's railway construction, Hua Yunchang and Hou Yinnan, recently urged the government to promptly develop long-distance ferries for railway transport, and let this latest mode of transportation play a role in building the national economy.

Hua Yunchang served in the railway corps and was the chief engineer of Shanghai's Railway Bureau. Today, he is a member of the Scientific and Technical Advisory Committee of the Ministry of Railways. Hou Yinnan is a senior engineer in charge of scientific research information at Shanghai's Railway Bureau. They said that most people associate railway-ferry transport with the cross-harbor ferry between Nanjing and Pukou, but that is just a rudimentary form of ferry transport. Information from overseas shows that modern ferries for railway transport are not confined to rivers but are used at sea as well. They not only sail the short distance across rivers, but travel great distances along rivers and across oceans. Instead of having a single deck, many have double or even triple decks and serve a variety of purposes. Nations with long coastlines or large bodies of water such as the U.S., Canada, Denmark, and Sweden have vigorously developed seafaring long-distance ferries for railway transport.

Hua and Hou said that modern ferries for railway transport embody the merits of water, railway, container, and nonstop transports, and in some countries, they have become the latest transportation mode and play an important role in integrating railway and water transports. According to a recent Soviet report, at present, railway-ferry transport is established in 38 locations worldwide, more than half of which are in Europe. The Soviet Union, in particular, have recently installed new long-distance railway-ferry routes in the Black Sea and to Sakhalin in the far east, and in addition they have vigorously developed transport routes to the GDR, Bulgaria, and other eastern European countries, as well as to the western European and the Scandinavian countries. For example, the modern super-ferry for railway transport project between Klaipeda in the Soviet Union and [MUKEZHI] in the GDR across the Baltic Sea was completed, and has been in service since October 1986. The route covers 506 meters, and has a freight capacity of 5 million tons, and takes only one-sixth the normal travel time by land.

These experts pointed out that China's communications and transportation are grossly inadequate and have become the major factor undermining the nation's economic development. Since our opening up to the outside world, the economy of the coastal regions has developed rapidly, and we need much more than the old fashion modes of communications and transportation. We should develop a comprehensive transportation system. Since the founding of the PRC, we have not made the most of our greatest potential resource, water transport. The more than 10,000 km of coastal waters, a maritime space superior to the golden waterway of the Yangtze, is under-utilized. Hua and Hou feel that together with developing railway, highway, and water transports, the government should also systematically develop long-distance railway-ferry transport, because:

1. Developing railway-ferry transport is economical and expeditious. Nowadays, each meter of railway trunk line costs 3 to 4 million yuan to build, and repairs can cost hundreds of millions, even as much as a billion yuan. Construction is time consuming, and railways take up huge chunks of farmland. On the other hand, developing railway-ferry transport only calls for the construction of loading bridges which can be raised or lowered with the tide, several docks with railway tracks, and a few ferries with 5,000 ton displacement or larger.

2. It shortens the distance by rail. The layout of railway tracks is very much determined by topography, and some transport routes are poorly located. If we use ferries on selected river or sea routes, we can shorten the distance between destinations. For example, the ferry route for railway transport between Dalian and Yantai is only 165 meters, one-tenth the distance by rail. We can cut the distance between Shanghai and Ningbo by one-third if we have railway-ferry service across the Hangzhou Bay.

3. Ferries for railway transport have huge capacity and are convenient for loading and unloading. For rail-and-water transport, there is no intermediate transfer, and the extra loading and unloading of cargo is eliminated, and everything can go directly on the train. Information shows that each railway-ferry dock can handle 30 to 40 trips on an average day (the Nanjing-Pukou ferry handles as many as 63 trips,) and the ferries need to dock for only an hour or so. If a railway-ferry carries 50 freight cars and travels 100 meters and makes 2.5 trips per day, each year it can transport as much as 2 million tons of goods, one way. If the freight volume or the distance increases, we can simply increase the number of ferries. Each railway-ferry dock can handle a maximum of about 25 million tons of cargo, one-way.

4. Ferries for railway transport facilitates the set up of a comprehensive transport network. Along China's coastal and bay areas, and along the banks of the Yangtze River, with railway-ferries making the connections, there will be a complete network of thoroughfares. In addition, they can speed up freight delivery and reduce damages incurred during loading and unloading.

The two experts suggested considering the following routes first:

1. The Qiongzhou Strait Route. Hainan has become a province, but at present it is accessible from the mainland only by sea or air. The distance between Zhangjiang and Haikou is about 120 meters, and with the Qiongzhou Strait railway-ferry route, we can connect the nation's railway system directly with the existing railroads on the island, or with any railroads to be built in the future, and passenger and freight transport between the mainland and Hainan will be unimpeded. This will have positive effects on the development of the island. It is urged that the concerned departments promptly test its feasibility, and establish this route first to set an example, and derive experience, for the nation's development of modern long-distance ferries for railway transport.

2. The Qinhuangdao-Yinkou Route. This route is 200 meters long, and will be an extension of the Beijing-Shenyang line. It shortens the distance to Shenyang by 64 meters, and to Yinkou by 422 meters. If we proceed with this route, we can abandon plans to repair the third Qinhuangdao-Shenyang line, and it would save a substantial amount of money and land.

3. The Dalian-Yantai Route. The distance is 165 meters, and will drastically cut the distance between Liaonan and Jiaodong. It will be the extension of the Beijing-Shenyang, Shenyang-Dalian, and Beijing-Pukou, and other lines.

4. The Shanghai-Ningbo Route. The distance is 252 meters, and is the extension of the Shanghai-Hangzhou and the Zhejiang-Jiangxi lines. It cuts the distance by 120 meters, and can be extended to Wenzhou, which will benefit the development of Zhejiang's southeastern and coastal areas.

5. The Fuzhou-Xiamen Route. The distance is 372 meters, and will be the extension of the Nanjing-Fuzhou and the Yingtan-Xiamen lines, and shortens the distance by 231 meters.

6. Develop the Yangtze golden waterway. Besides making use of the existing railway-ferry docks in Nanjing, Pukou, Wuhu, and Yuxikou, we can consider building new docks in Shanghai, Tongling, Jiujiang, Wuhan, and other places to start a train service on the Yangtze waterway to connect the nation's railway network. For example, with direct ferry service for freight trains from Shanghai to Hankou, we can make connections with the Shanghai-Ningbo, the Tianjin-Pukou, the Gansu-Qinghai lines, and the Zhangzhou-Wuhan segment of the Beijing-Guangzhou line to the north, and the Shanghai-Hangzhou, the Zhuzhou-Hangzhou lines, and the Lanzhou-Lianyungang segment of the Beijing-Guangzhou line to the south, and shorten the distance by more than 420 meters.

Finally, the two experts, Hua Yunchang and Hou Yinnan, said that for a country as backward in communications and lacking in funds and cultivated land as China, developing long-distance ferries for railway transport has practical purposes, and it is hoped that the leaders in the departments concerned will give it serious considerations.

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River Management Regulations

OW0807024788 Beijing XINHUA Domestic Service in Chinese 0204 GMT 16 Jun 88

River Management Regulations of the People's Republic of China

Chapter I. General Principles

Article 1. These regulations are formulated in accordance with the "Water Resources Law of the People's Republic of China" in order to strengthen river management, ensure flood control, and bring the benefits of rivers and lakes into full play.

Article 2. These regulations apply to the rivers within the territory of the People's Republic of China (including lakes, man-made waterways, floodwater routes, flood storage basins, and flood retention basins).

The "River Management Regulations of the People's Republic of China" also apply to channels in rivers.

Article 3. In developing and utilizing river and lake water resources and to prevent and control flood, it is necessary to make overall plans, to take all factors into consideration, to make multipurpose use of water resources, to stress beneficial results, to act according to overall arrangements for flood prevention, and to promote the development of all other undertakings.

Article 4. The administrative department of water resources under the State Council is the organ in charge of rivers throughout the country.

The administrative departments of water resources in various provinces, autonomous regions, and municipalities directly under the central government are the organs in charge of rivers in their respective administrative areas.

Article 5. The state practices the principle of combining unified river management with separate management at various levels according to different river systems.

The state shall authorize river valley administrative departments to manage the main sections of major rivers, such as Chang Jiang, Huang He, Huai He, Hai He, Zhu Jiang, Songhua Jiang, and Liao He, the main section of rivers flowing through provinces, autonomous regions or municipalities directly under the central government,

boundary rivers between provinces, autonomous regions, or municipalities directly under the central government, and the rivers along the border of the country; or they may be managed according to unified planning for river systems by organs in charge of rivers in provinces, autonomous regions, or municipalities directly under the central government where such rivers are situated. Other rivers shall be managed by river administrative departments in provinces, autonomous regions, municipalities directly under the central government, cities, or county.

Article 6. Rivers shall be graded. Standards for grading of rivers shall be set by the administrative department of water resources under the State Council.

Article 7. The system of overall responsibility by the administrative leaders of local people's government shall be practiced in flood control and river dredging.

Article 8. Organs in charge of rivers under people's governments at various levels and river inspectors must strengthen river management in accordance with state laws and regulations, carry out water supply plans and flood control orders, and maintain the safety of water projects and people's lives and property.

Article 9. All units and individuals have the duty to protect river embankments and participate in flood control and in dealing with an emergency in this regard.

Chapter II. River Harnessing and Construction

Article 10. River harnessing and construction should be done in accordance with the overall river basin plan, in conformity with the state flood-prevention standards, navigational standards and other technical requirements, and in consideration of safety of dikes to ensure steady water and flood passage and navigability.

Article 11. Construction engineering plans for water conservancy projects, flood-prevention projects, river-harnessing projects, and bridges, docks, roads, ferries, pipes, cables and other facilities across rivers and dikes or near rivers must first be submitted by the builders to the organs in charge of the rivers concerned for examination and consent before they are submitted to organs in charge of capital construction for final examination and approval.

After obtaining approval for the construction projects, the builders should inform the river management organs of the engineering arrangements.

Article 12. Proper river width must be maintained in accordance with the state flood-prevention standards and flood passageway must not be narrowed after bridges, docks or other facilities are built or repaired.

The base of the crossbeams of bridges and causeways must be higher than the designed high water level with a certain amount of clearance in between in accordance with flood-prevention and navigational requirements. The designed high water level is decided by the river management organ according to flood-prevention plans.

The clearance of pipes and cables across rivers must conform to flood-prevention and navigational requirements.

Article 13. Navigational channel improvement projects of the communications department must conform to the flood-prevention requirements, and the communications department should first solicit opinions from the river management organs with regard to relevant designs and plans.

If a river-harnessing project affects navigational passage, the water conservancy department should give consideration to shipping needs and solicit beforehand the opinions of the communications department with regard to relevant designs and plans.

If a river-harnessing project or navigational channel improvement project is to be built on rivers in which it is permissible to transport floating bamboo and logs or on important fishing waters, the builder should give consideration to the needs of bamboo and log transport and fishery, and solicit beforehand the opinions of the corresponding-level forestry and fishery departments with regard to relevant designs and plans.

Article 14. River management organs should periodically inspect such facilities as sluice-gates and pumping stations built on dikes, and pipes and cables across dikes. Any unsafe facilities should be required to be improved by a prescribed time.

If the facilities as mentioned in above paragraph are newly built, they must be checked and accepted by the river management organs before they are put into operation. Such facilities are subject to the safety management by the river management organs.

Article 15. If highways are to be built on top of dikes or causeways, the construction must be approved by a higher-level river management organ. Procedures for management and maintenance of the highways and the dikes should be formulated by the river management organ in conjunction with the communications department.

Article 16. Banks in river course should not be used for urban development. River-side boundaries of cities and towns shall be decided by the river management organ in conjunction with the city and town planning departments. River-side cities and towns should solicit opinions of the river management organ before they formulate or examine their urban construction plans.

Article 17. The use of riverbanks for construction projects must conform to the river-harnessing plan and the channel improvement plan. Before approving any construction projects to be built on riverbanks, the planning department should first solicit the opinions of the river management organ.

The boundary of riverbanks shall be set by the river management organ in conjunction with the communications department and other departments concerned, and be approved by the people's government at or above the county level. Article 18. Local people's government shall provide the land needed in river-dredging projects, dike-strengthening projects and flood-prevention river-harnessing projects.

Any usable land created from reservoir construction or river harnessing belongs to the state, and may be used by the people's governments at or above the county level for use in resident resettling programs or river-improvement projects.

Article 19. If a river is the boundary between provinces, autonomous regions or municipalities or runs through more than one province, autonomous region or municipality, any province, autonomous region or municipality shall not unilaterally build any drainage, water-blocking, water-drawing, water-storage or river-harnessing projects within 10 kilometers of the boundary river or on the trans-regional river without reaching an agreement with other provinces, autonomous regions or municipalities concerned, or without the approval from the water conservancy department of the State Council.

Chapter III. River Protection

Article 20. The management area of a diked river covers the water area, sand bars and banks (including arable land) and flood passages between the dikes, as well as the dikes and embankments.

The management area of a river without dikes shall be decided according to the highest water level in the past or the designed high water level.

The specific management area of a river shall be decided by the people's government at or above the country level.

Article 21. The use of the water space and land in a river management area should conform to flood-drainage, water supply and shipping requirements in the river. The use of banks in a river should be planned by the river management organ in conjunction with land management and other departments, and the plan must be approved by the people's government at or above the county level before implementation.

Article 22. It is prohibited to damage or destroy such water conservancy and flood-prevention facilities as dikes, embankments, sluice-gates and dams, as well as hydrological monitoring and survey facilities, riverbank geological survey facilities, and communications and illuminating facilities.

During flood control period, unauthorized personnel and vehicles are not allowed on the dikes.

With the exception of flood-control vehicles and vehicles dealing with an emergency, no vehicles are allowed on the dike when its top is muddy because of rain or snow.

Article 23. Sluice-gates shall be operated only by the authorized personnel. No organizations or individuals are permitted to interfere with the normal operation of river management units.

Article 24. In the river management area, it is prohibited to build cofferdams, water-blocking channels, and water-blocking roads; grow tall-stemmed farm crops, reeds, willow, and other trees (except shelter trees on dikes); set fishing gears across river; and dump slags, stones, coal cinder, dirt and garbage.

On dikes and embankments, it is prohibited to build houses, herd sheep or cattle, cut ditches, drill wells, build cellars, build tombs, dry grain in the sun, store materials, prospect underground resources, conduct archaeological excavation and hold village fairs.

Article 25. The following activities in the river management area must be approved by the river management organ; and if they also concern other departments, they must be approved by the river management organ in conjunction with the other departments concerned:

- (1) gathering sand or earth, panning, and dumping sand, stone or mud;
- (2) demolition, prospecting, and digging and building fish ponds;
- (3) storing materials and building houses or other facilities on banks in river course; and
- (4) prospecting underground resources and conducting archaeological excavation on banks in river course.

Article 26. With the approval from the people's government at or above the county level, the river management organ may set dike safety protection zones in areas adjacent to the river management area according to the degree of importance of the dikes and the soil condition of the dike foundations. In the dike safety protection zones, it is prohibited to build wells, prospect, set off explosives, dig and build fish ponds, quarry, gather earth and conduct other activities that endanger the safety of the dikes.

Article 27. Reclaiming land from lakes is prohibited. Already reclaimed land shall be treated according to the state anti-flood standards so as to gradually restore the lakes to their original conditions. Lake development and utilization plans must be examined and approved by the river authorities.

Reclaiming land from rivers is forbidden. Where there is truly a need to reclaim land from rivers, scientific study must be conducted and approval by the people's government at and above the provincial level must be obtained before reclaiming can be undertaken.

Article 28. Water and soil conservation work along the beaches, dikes, and banks shall be strengthened to prevent soil erosion and the silting up of the rivers.

Article 29. The original paths, dikes, and engineering works of rivers shall not be blocked, used for other purposes, or dismantled without the approval of the river authorities.

Article 30. Shelter forests and trees along the dikes and banks shall be planted and managed by river management units. No other units or individuals are allowed to seize, fell, or destroy them.

Article 31. In accordance with the relevant regulations of the state, river management units are exempted from paying the Forest Breeding Fund when felling shelter trees for the purpose of afforestation and regeneration, for flood prevention, and for dealing with emergency situations.

In sections where a navigation speed limit is required to ensure the safety of the embankment, the river authorities, together with the transportation department, shall erect speed limit signs. Ships shall not exceed the established speed limit.

Ships must observe the rules of the flood prevention and control command regarding navigation and anchoring during flood seasons.

Article 32. The river authorities, together with the geology and transportation departments, shall strengthen the monitoring work in sections where there is danger of mountain landslide, landslip, mud-rock flow, or other kinds of natural calamity. No quarrying, mining, land reclaiming or any other activities which endanger the stability of the mountain structures are allowed in these sections.

Article 33. Units or individuals who use rivers to float logs downstream shall not affect food movement, navigation, and the safety of water projects and shall follow the safety measures of the local river authorities.

The river authorities have the power to take emergency measures to dispose of the logs or other floating articles during flood seasons.

Article 34. Prior to filing application with the environmental protection agencies, sewage disposal units must obtain the agreement of the river authorities before installing or enlarging drainage exits to dispose sewage to rivers and lakes.

Article 35. Placing, dumping, burying, or disposing of water-polluting materials or articles in river management areas is prohibited. Washing vehicles or containers which carried or stored oil, poisonous materials, or pollutants is prohibited in rivers.

The river authorities shall monitor the quality of water of the river and, together with the environmental protection agency, shall supervise and manage the prevention and control of water pollution.

Chapter IV. Clearing River Impediments

Article 36. Articles obstructing water flow in the river management area shall be removed according to the principle, "Whoever places the impediments is responsible for their removal." The river authorities shall put forward a plan and detailed measures for clearing the impediments, and the flood prevention and control command will order whoever is responsible to carry out the plan and the measures within a prescribed period. If the impediments are not removed within the period, the flood prevention and control command shall arrange for their removal, and whoever is responsible for the impediments shall bear the entire clearing expenses.

Article 37. Bridges, conduits, piers, or other river-spanning projects which, by the state flood prevention standards, seriously block the flow of water shall be dismantled or rebuilt by the original construction units within a prescribed period in accordance with the suggestions of the river authorities and the approval of the people's government. When such structures affect flood control safety during flood seasons, the emergency decision of the flood prevention and control command must be followed.

Chapter V. Outlays

Article 38. In accordance with the principle of dividing river management among different levels, the annual expenses for embankment repair and maintenance shall be paid from the central and local government treasury and shall be incorporated in the central and local government budget.

Article 39. The river authorities may collect river project repair, maintenance, and management fees from industrial and commercial enterprises, peasant households, or other units if there are clear indications that they benefit from the river dikes, revetment, lake embankment, seawall, or drainage projects. The amount of fees to be collected shall be determined by the expenses incurred in building, repairing, maintaining, and managing the river

projects. The specific amount and the method of collection shall be determined and formulated by the provincial, autonomous regional, or municipal people's government.

Article 40. Rock quarrying, dirt collecting, and gold panning in river management areas shall be operated within the authorized limit and in accordance with the approved methods. Management fees shall also be paid to the river authorities. The amount of fees to be collected and the collection method shall be determined and formulated by the State Council water conservancy administration and finance departments.

Article 41. Units and individuals who damage dikes, revetments, and other water projects or silt up the river shall be responsible for their repair and dredge or bear the expenses.

Article 42. Fees collected by the river authorities shall be used for the construction, management, repair, maintenance, and renovation of the embankment projects. Surplus funds may be used in the succeeding years; no other departments shall control the funds or divert them for other purposes.

Article 43. Local people's governments at and above the county level in the urban and rural areas along the river may organize units and individuals within the embankment protection zone to perform voluntary service to repair and reinforce the embankment projects.

Chapter VI. Penalty

Article 44. When any of the acts listed in the following paragraphs are committed in violation of these regulations, the local people's government authorities in charge of rivers may ask the perpetrators to correct and remedy their actions; the authorities may issue warnings, impose fines, and confiscate the illegal earnings; the unit of the perpetrators may take disciplinary sanctions against persons responsible for the perpetration; and, when the actions of the perpetrators constitute crimes, investigation shall be conducted to fix their responsibility:

1. Throwing or stacking materials in river management areas or planting trees or high growth plants, blocking the movement of flood; or building dikes, ditches, or paths, blocking water flow;
2. Building houses; grazing animals; digging ditches, wells, pits or graves; drying grain; storing materials; mining; excavating archaeological finds; or holding trade fairs near embankment and revetment areas;
3. Dredging a river course or building water projects or other facilities without approval, or without following the norms set by the state for preventing floods and ensuring construction safety;

4. Excavating sand or earth; panning; disposing of sand, rocks, or silt; demolishing; drilling; or building fish ponds within controlled areas without previous approval, or without following the regulations set by the river administrative authorities;

5. Storing materials, building factories or other facilities, developing underground resources, or making archaeological excavations at sandbanks without previous approval;

6. Reclaiming land from lakes and rivers in violation of Article 27 of these regulations;

7. Felling trees protecting river banks without authorization; and

8. Violating the regulations or orders of the flood-prevention headquarters during flooding periods.

Article 45. If anyone who commits one of the following in violation of these regulations, the river administrative authorities under the county or higher people's government may serve him a warning and a fine, in addition to ordering him to correct the misconduct, pay for the damage, and take remedial measures; if the misconduct constitutes a public offense, it shall be handled according to the "PRC Regulations Governing Offenses Against Public Order;" and if it constitutes a crime, the criminal responsibilities shall be investigated:

1. Damaging an embankment, revetment, floodgate, water project; or flood prevention facilities, facilities for monitoring hydrographic information or geological information of river banks, as well as communications and illuminating facilities;

2. Engaging in any activity jeopardizing the safety of an embankment, such as digging wells, drilling, demolishing, building fish ponds, quarrying, and digging earth, within the area for protecting embankment safety.

3. Anyone—who is not a custodian—who operates the floodgate and interferes with the normal operation of the river administrative unit.

Article 46. If one party disagrees with the decision of the disciplinary measures, it may, within 15 days after being notified of the decision, request a reexamination by the organ above the one that metes out the penalty; and if it disagrees with the result of the reexamination, it may, within 15 days after being notified of the result, challenge it directly in the people's court. If the party does not request a reexamination, nor does it challenge the result in the people's court, nor does it abide by the decision within the prescribed period, the organ which metes out the penalty shall request the people's court to enforce the decision. Anyone who challenges the penalty for a public offense shall be handled according to the "PRC Regulations Governing Offenses Against Public Order."

Article 47. If a violation of these regulations causes economic losses to the state, a collective, or an individual, the victimized party may request the river administrative authorities under the county or higher people's government to handle the case, or directly bring the case to the people's court.

If one party disagrees with the decision of the river administrative authorities, it may, within 15 days after being notified of the decision, challenge the case in the people's court.

Article 48. Any staff worker or administrator of the river administrative authorities who neglects his duty, abuses authority, or engages in irregularities for personal benefits, is subject to disciplinary measures by his unit, or the higher authorities; anyone who has inflicted substantial losses to the public property and the interests of the state and the people shall have his criminal responsibilities investigated according to law.

Chapter VII. Supplementary Articles

Article 49. In accordance with these regulations, the people's governments of all provinces, autonomous regions, and municipalities directly under the central government may draw up their own implementation measures according to their actual situation.

Article 50. The responsibility of interpreting these regulations rests with the authorities under the State Council in charge of water conservancy.

Article 51. These regulations become effective upon promulgation.

Hanjiang River Report Due Out in August

OW3006191188 Beijing XINHUA in English
0706 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—The feasibility study report on the development of the Hanjiang River, the biggest tributary of the Yangtze River, will be published in August, reported today's overseas edition of the "CHINA DAILY".

The paper said that 24 experts from China and Federal Germany are making joint efforts on the report.

The state has decided to put 180 million yuan into the construction of navigation installations on the Xiangfan-to-Hankou section of the river.

The experts said that 1,000-dwt-class ships will be able to traverse the Hankou-to-Danjiangkou section when the construction is completed by the end of this century.

According to the plan, 15 ports will be built along the Hanjiang River on the boundary of Hubei Province. The Yujianhu, Dengwan and Zhuangdouwan ports will be completed during the seventh five-year plan period (1986-90).

The ports on the river will be able to handle up to a total of 20 million tons of cargo at the end of the seventh five-year plan period and 34 million tons by the end of this century.

Civil Aviation Development, Reform

40060373 Beijing GUOJI HANGKON

[INTERNATIONAL AVIATION] No 6 in English

5 Jun 88 p 4

[Article by Guan De, deputy director general of the Civil Aviation Administration of China: "The Development and Reform of Civil Aviation in China"]

[Text] Under the reform and open policy since the Third Plenum of the Eleventh Central Committee of CCP and because of the concern and support of the government, the civil aviation grows rapidly in China.

The total tonne-kilometers performed in 1987 increased by 5.7-fold to compare with that in 1978 and passengers carried increased by 4.6-fold. The average annual growth rate of total tonne-kilometers performed is 29.6 percent since 1984.

CAAC now operates on 327 routes while in 1978 there were only 162 routes. There are 39 international routes connecting 30 cities of 24 countries in Asia, Europe, North America, Africa and Pacific region. Service to 18 cities of 15 countries were inaugurated after 1978.

The CAAC's fleet expands rapidly in size. The total payload capacity of the fleet in 1987 is 4.2 times of that in 1978. At the same time, a number of obsolete aircraft have successively been disposed of and modern airliners such as Boeing 747, 767, 757, 737, MD82, A310 have been added to the fleet.

According to the total tonne-kilometers performed, China was ranked 32nd in the world in 1982, 21st in 1986 and possibly promoted to 16-17th in 1987. The daily utilization of aircraft of medium size and over has reached the average international standard.

To ensure the flight safety has always been the first priority in CAAC's operations. The First Flying Fleet of CAAC has maintained a glorious safety record for 33 years. A number of CAAC Flying Groups have also maintained a safety record of 15 years.

Ever since 1979, CAAC has newly constructed, expanded and reconstructed more than 30 airports. Airports which can accommodate Boeing 737 aircraft

and larger ones have almost been doubled in number since 1978. The air route facilities together with system constructions have also been very much improved.

Like what has happened nationwide, the civil aviation in China is now undergoing structural reform the core of which is the separation of government functions and enterprise operations, the separation of Party functions and the government functions and the revitalization of enterprises.

Major airlines are being formed. The Southwest Airlines has already been established and the Eastern Airlines will be established soon. Other four major airlines will also be set up successively within this year.

Ten operation permits have already been issued to local airlines and airlines run by other departments and they are all in operation now. Such airlines include China United Airlines, China Ocean Helicopter Company, Shanghai Airlines, Xiamen Airlines, etc.

Many airports will become independent enterprises by steps so that they will provide good services to all the airlines. At present, Chengdu airport and Xiamen international airport are operated as independent enterprises. Shanghai international airport will soon be reformed too.

Operations of the major airlines and airports are and will be under contract responsibility system and will be reformed further in depth within these enterprises.

CAAC will act as a government regulatory agency to take charge of civil aviation affairs under the State Council and is now transforming its functions. Such functions include the development and strengthening of the regulation of technical standards in relation to airworthiness of the aircraft, airports, flight operations, air traffic control, maintenance, air route management. CAAC will provide service to ensure flight safety and to protect the public interest and will no longer engage itself in enterprise operations. Airlines and airports will fall under the regulation of CAAC. The regional administrations will act as sub-organizations of CAAC and discharge government functions.

The civil aviation in China is now lagging far behind the demand of national economic development. According to the spirit of the Thirteenth Assembly of CCP, the civil aviation in China will have to accelerate the modernization of its technical equipments, to renew its fleet and to speed up the capacity increase. The training of a large number of personnel of high quality should be of vital strategic importance. CAAC will accelerate its structural reform including the

reform of the operating mechanism within the enterprises. The civil aviation in China will pursue the principles of "ensure safety first, improve service and strive for flight regularity" and will develop rapidly and steadily.

The development of civil aviation will create higher requirements of civil aircraft. We hope that the design and the manufacture of aircraft of our own will meet the airworthiness standards. It is necessary and urgent that the technical reform of the factories must be compatible with the foundation industries. We hope that more and better aircraft of our own will be added to Chinese civil aviation fleet and this can only be accomplished by having appropriate priority and system-wide arrangement and not by piece-meal works.

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Construction of Lianyungang Airport Begins
HK2006152188 Beijing CEI Database in English
20 Jun 88

[Text] Nanjing (CEI)—Construction of the principal building of Lianyungang Airport, which covers a building area of 18,943 square meters, began construction recently.

The main part of the project includes a terminal building, a control building, and accessory facilities composed of a launching pad, a guidance station, a 10-kilovolt power supply system and a radar computer room.

The airport was opened to navigation in March, 1985. So far air service has linked up Lianyungang with Beijing, Shanghai, Nanjing and Jinan.

The principal project of the airport will be commissioned on May 1, 1989.

Combined Military Exercise Ends

*OW1506110988 Taipei LIEN HO PAO in Chinese
10 Jun 88 p 2*

[Excerpts] The 4-day joint counterlanding military exercise code-named "Han Kuang No 5," involving members of the three armed services, started on 6 June with actual troop movements in southern Taiwan. This exercise ended on 9 June.

It is reported that this year's "Han Kuang No 5" exercise was carried out keeping in mind the Chinese communist plan to invade Taiwan. The military authorities did not invite news reporters to cover the military exercise for security reasons.

Military spokesman of the Ministry of National Defense Major General Chang Hui-yuan said yesterday: During the entire military exercise, the members of the three armed services and the forces mobilized for the military drill showed their tremendous firepower and superior combat skills, and fully demonstrated their achievements in training for joint defense as well as the outstanding combat effectiveness of the reserve forces in defending Taiwan.

After the military exercise successfully ended at noon yesterday, General Hau Pei-tsun, Chief of the General Staff, lauded the officers and men of the three services for their excellent training, their joint combat effectiveness and the effective use of their weapons. He particularly praised the members of the reserve forces for being able to mobilize within a very short period and for showing their competent combat skills and high morale.

Low 'Propensity To Invest' Termed Concern

*40060350 Taipei CHING-CHI JIH-PAO in Chinese
13 Jun 88 p 2*

[Editorial: "A Discussion of the Current Investment Climate and Propensity to Invest"]

[Text] On the 10th of this month, President Lee convened his first financial and economic conference since taking office. In attendance were heads of relevant ministries and commissions, as well as entrepreneurs and scholars. After listening to everyone's opinions, President Lee expressed great concern about business' unwillingness to invest and our failure to make full use of our society's savings.

Low propensity to invest has aroused widespread concern. Last year, the ratio of investment relative to GNP was 20 percentage points less than that of savings. This is unprecedented and will result in great waste of social resources. Some people may wonder how we can claim there is insufficient willingness to invest when the stock market is booming, with daily trading volume exceeding NT \$40 billion. But we discussed these issues in yesterday's editorial, where we explained that we define investment as substantive investment that adds equipment,

expands productive capacity and improves productivity, whereas stock trading is merely personal financial investment which does not help improve productive capacity, unless it is directed toward new companies that have just entered the market or been established. Indeed, excessive growth of the stock market can prove inimical to substantive investment.

Why is domestic propensity to invest so low that foreign businesses are considering pulling out of our country? The basic reason is that our investment climate is unfavorable. There have been tremendous changes in that climate over the last 20-30 years. During the 1950s and 1960s, we were able to attract both domestic and foreign investment in our country. But now the situation is clearly reversed.

During the 1950s and 1960s, our standard of living was low, so we lacked capital, our level of technology was poor, we had insufficient skilled personnel, and we had not yet penetrated foreign markets. On the other hand, we did have an abundance of labor, our products were high quality, our labor costs were cheap, society was stable and, most importantly, the political scene was peaceful and the government's public authority was respected, so government programs were fully implemented and worked very well. In this environment, the government was able to provide incentive for investment, protect developing industries, maintain strict controls on foreign exchange and trade, shield local industry from powerful foreign competition, and ensure that domestic entrepreneurs earned ample profits. The government provided low interest loans for export production and reduced or eliminated import duties for such production so as to help entrepreneurs expand export markets. Nobody ever found fault with the government for these efforts, because they protected the interests of investors, increased propensity to invest, and attracted considerable foreign investment into our country for the joint development of our economy.

But the situation has completely changed in the 1980s. Our success in economic development has greatly increased per capita income and our exports, enabled our trade surplus to grow, steadily improved our technology, and given us an abundance of skilled personnel. Thus we no longer lack capital or foreign exchange but rather have huge surpluses of both, so there should be no trouble at all in finding capital for investment.

Yet the reverse is true. Other domestic and external problems unrelated to capital and foreign-exchange resources have arisen, and these have dampened propensity to invest. Externally, the excessive surplus we have run up in trade with the United States has made the Americans apply protectionist pressure on us, demanding that we reduce tariffs, open our markets and revalue the NT dollar. These developments have dealt a tremendous blow to our businessmen, especially to medium and small enterprises and to farmers, reducing their earnings and even threatening their very existence.

Domestically, extensive political liberalization has spawned many social forces and ignited numerous social movements. Concern for environmental protection and the awakening of labor have stirred up new shock waves and engendered a number of intractable conflicts. Extremist environmentalist sentiments prevented DuPont from building a plant in Taiwan and the government and Formosa Plastics from carrying through on plans to build the fifth and sixth naphtha crackers, respectively, and it now appears that the sixth cracker may well end up in the United States, a distant, foreign land. In the midst of such social convulsions, entrepreneurs face great risk and obstacles and naturally feel everything is "uncertain." This dampens their willingness to invest.

Even more unfortunate is political instability, especially the government's inability to establish its public authority and its resulting loss of prestige. In the past, the government was in complete command, so it was able to implement its policies smoothly but today gets criticized no matter what it does, is fettered hand and foot and cannot get anything accomplished. With such social and political instability, how can people holding capital have

enough confidence to engage in investment? And how can propensity to invest be improved? With no other outlet, people with capital have no choice but to play around with their money and turn to the stock market, real estate speculation and even illegal, underground investment societies.

Thus the decline in propensity to invest stems from a deterioration in the domestic investment climate, which is due, in turn, more to noneconomic than to economic factors. Therefore, to turn things completely around, we urge the government to restore its public authority and prestige. Politically, politics should be politics, but legal matters should be left to the law. Political life should be liberalized, but the law must not tolerate destructive acts. All lawless or criminal behavior must be punished in accordance with the law. Only then can we restore the government's prestige, stabilize society and improve our investment climate. When these things are accomplished, people naturally will be much more willing to invest.

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